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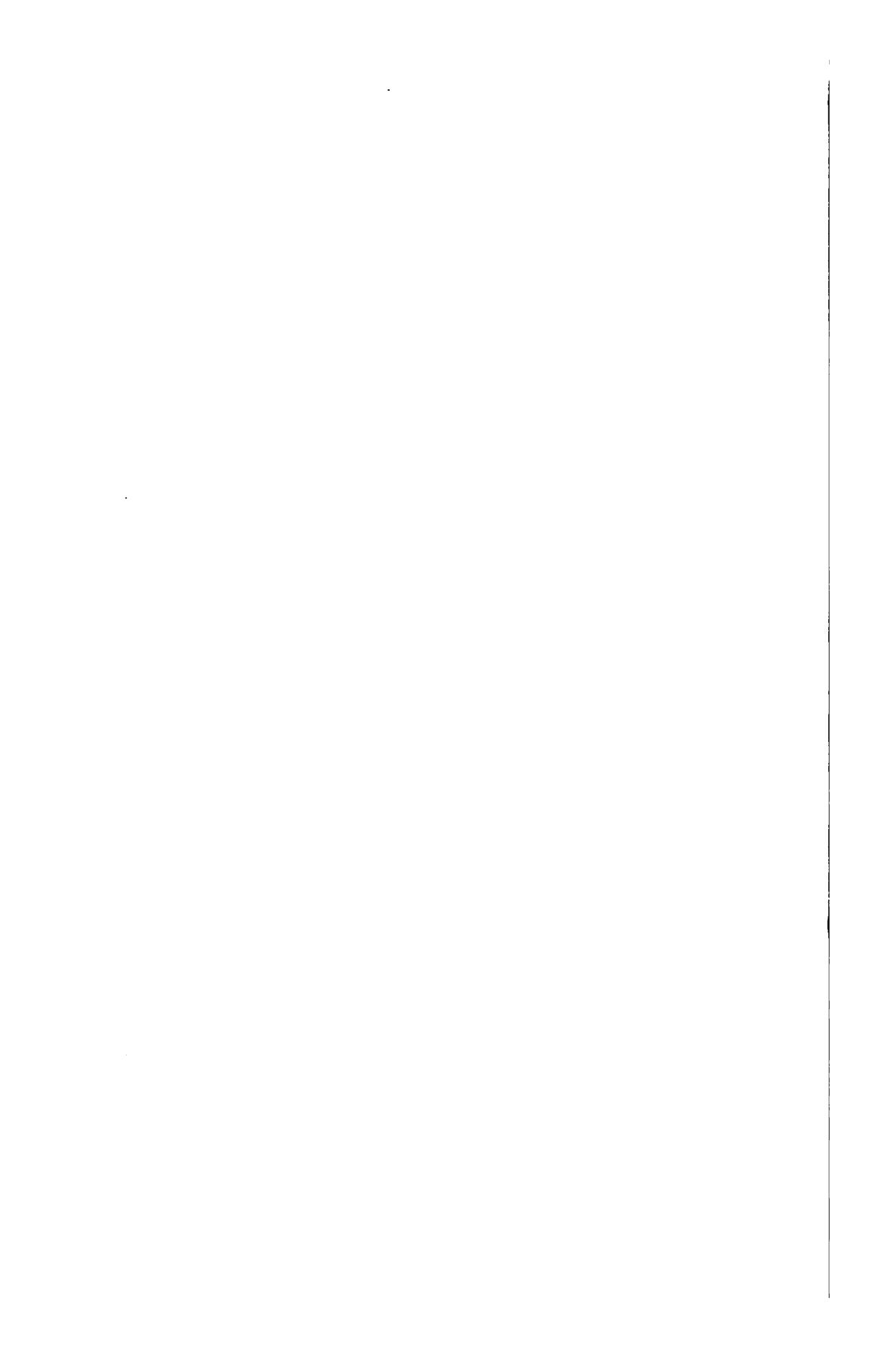
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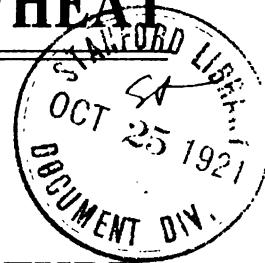






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GRADES FOR SPRING WHEAT



HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SEVENTH CONGRESS
FIRST SESSION

ON

H. R. 7401

JUNE 27, 28, 29, 30, AND JULY 2, 1921

Serial J—Part 1

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HOUSE OF REPRESENTATIVES.

SIXTY-SEVENTH CONGRESS.

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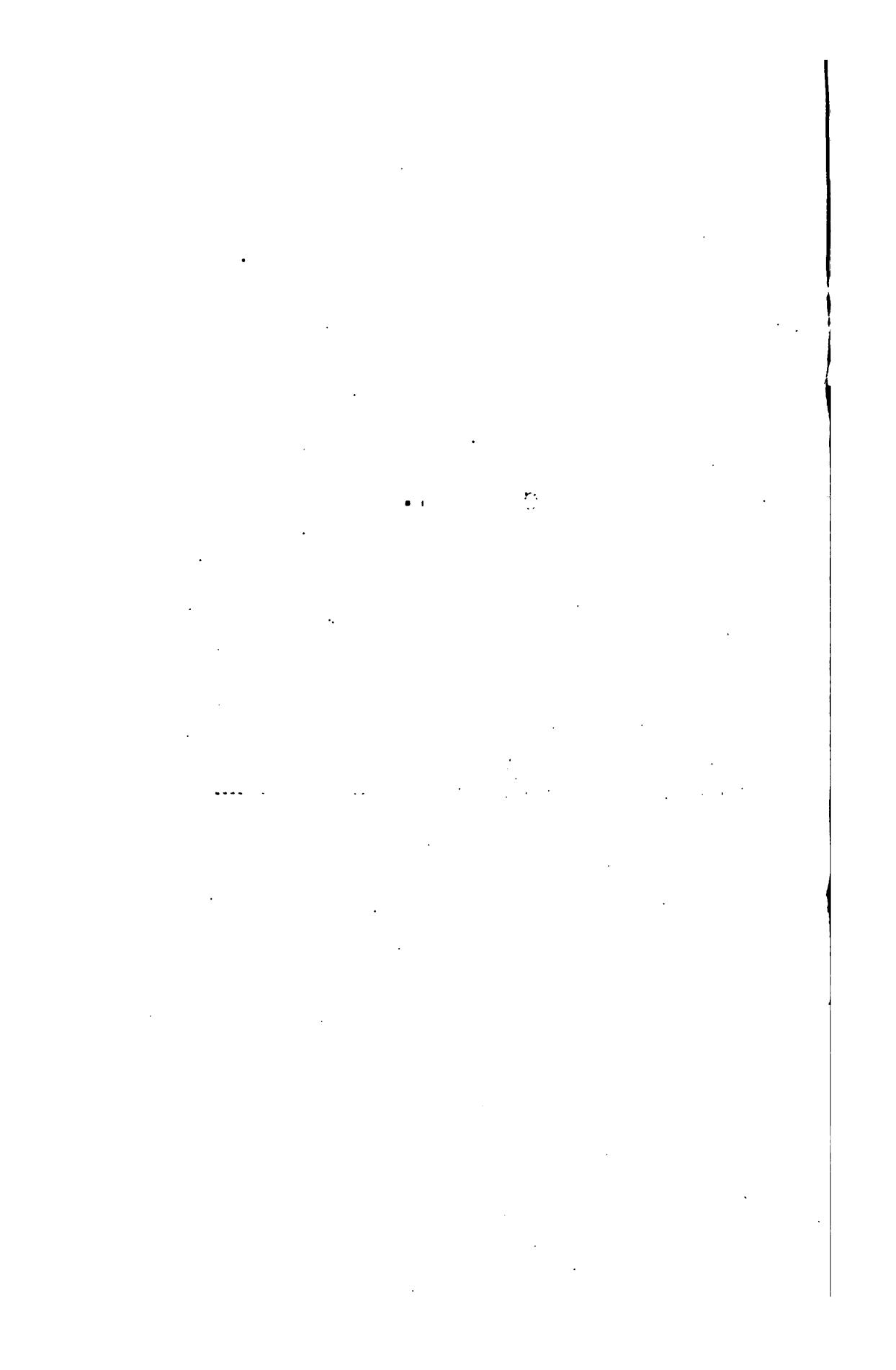
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GRADES FOR SPRING WHEAT.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Monday, June 27, 1921.

The committee met at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

There were present: Mr. Haugen, Mr. McLaughlin of Michigan, Mr. Voigt, Mr. McLaughlin of Nebraska, Mr. Tincher, Mr. Williams, Mr. Sinclair, Mr. Hays, Mr. Thompson, Mr. Clague, Mr. Clarke, Mr. Jacoway, Mr. Aswell, Mr. Kincheloe, Mr. Jones, and Mr. Ten Eyck.

The CHAIRMAN. The committee has met this morning to give consideration to the grading of grains. What arrangements can we make in reference to a division of the time and the amount of time to be consumed?

Mr. STEENERSON. Mr. Chairman, I do not know that there is any division to be had. I have not heard of any requests for time in opposition to the bill, but if there are any I suppose they will make themselves known. I think we have here about 25 witnesses, and I judge from reports about the proceedings in the House that we will have to be over there in the afternoon.

The CHAIRMAN. I take it there will be a number who will appear in opposition to the bill. How long will it take for the proponents?

Mr. STEENERSON. When I arraigned for the meeting, I said three days; but, of course, if we hold sessions for long hours, that time might be shortened.

Mr. ASWELL. We can not hold a long session to-day.

Mr. STEENERSON. No.

Mr. ASWELL. And to-morrow will be just about as bad.

Mr. STEENERSON. Then we will certainly need all the time.

The CHAIRMAN. You will need the three days?

Mr. STEENERSON. Yes.

The CHAIRMAN. Then, without objection, we will advise these people in opposition to the bill that they may come at the end of the three days and will be heard then.

Do you want to go on first, Mr. Steenerson?

Mr. ASWELL. Mr. Chairman, may I inquire whether or not the Secretary has full authority to do all that is proposed in this bill? Why would not a simple resolution directing him to proceed answer all this question?

Mr. STEENERSON. I will, perhaps, touch upon that in my statement.

Mr. ASWELL. Congress does not undertake to establish standards.

The CHAIRMAN. The Secretary has the authority to do that.

Mr. STEENERSON. I think I will explain that.

The CHAIRMAN. You may proceed, Mr. Steenerson.

STATEMENT OF HON. HALVOR STEENERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA.

Mr. STEENERSON. Mr. Chairman, originally grain, especially wheat, was sold without any Government interference as to inspection or weighing. The chambers of commerce in the various States fixed the grades, and that was true in Minnesota up to about 25 years ago. Then an agitation began that there ought to be State weighing and inspection. The grievances of the farmers were very serious and as a result the State of Minnesota, when Senator Knute Nelson was governor of the State, established a State system of inspection and weighing, which was in successful operation until the Federal grades superseded it in part, about four years ago.

Only the markets of Minnesota, of course, are the markets for the adjoining States of the West, North Dakota and South Dakota, and while so far as the people of Minnesota were concerned, the grades and system of inspection established by the legislature appeared satisfactory, there was some dissatisfaction in the neighboring States, which finally reached Washington, and the demand for Federal grain inspection became quite general.

I represent one of the greatest wheat districts in the world, the Red River Valley, and I found that the farmers in my district and in the State generally thought it was a good idea, and so I voted for Federal inspection and I think every Congressman from Minnesota did likewise. There were fears expressed by the State authorities who had the grain inspection in charge that it might not operate satisfactorily, but their protest was not considered.

The Federal grades were established after a long series of studies. We never knew exactly, until lately, who was responsible for those grades. These grades were revised several times before the last revision, which was in April, 1918. It is known as the "Service and Regulatory Announcements, Official Grain Standards of the United States for Wheat," issued by the Secretary of Agriculture on that date.

In 1917, when the Food Administration took over the buying of wheat, the law provided that the prices should be based upon the Federal grades. Theretofore there was in the terminal markets a certain amount of competition, and if a grade was unfair or if the wheat merited on its intrinsic value more than the grade placed upon it by the inspector, the merchants there competed for it and bid a premium; but as soon as the Government took over the buying of wheat, the grade as fixed by the Federal inspection also fixed the price, and it became a very serious matter.

The farmers were up in arms. They were losing, as they believed, by these artificial grades, millions of dollars. We had hearings before the Secretary of Agriculture, Mr. Houston, but without avail. We came before this Committee on Agriculture with a bill introduced by Mr. Anderson which provided for another board, a board of examiners or whatever they were called, to determine grades instead of having the Secretary of Agriculture do that. We held hearings but we failed to get any relief from the Secretary and we failed to get any relief by legislation.

Of course, as soon as the Food Administration had proceeded far enough so that they were not putting a limit upon private buying;

that is, permitting those who wanted to buy to pay a higher price to get wheat, that relieved the tension somewhat, because then if wheat was worth 5 cents more than the grade indicated, the man could pay it. The chairman of this committee, as I will refer to later, who was then the ranking member of the Committee on Agriculture, went with me to the Food Administration, Mr. Hoover, and after we had failed with the Secretary of Agriculture and had given up any attempt at legislation, we appealed to him and got some relief.

Mr. CLARKE. May I interrupt to ask just what was that relief?

Mr. STEENERSON. Permitting the private bidders to bid more than the fixed price within certain limits, provided they did not charge any more for flour, I think, than \$12 or whatever the amount was. This gave play to private bidding and provided more bidding than they had had. Of course, originally, under the food law, you would have to sell the wheat at the price indicated by the grade as fixed by law.

Mr. TINCER. When was that?

Mr. STEENERSON. That was in 1918.

The CHAIRMAN. Mr. Steenerson, you have a copy of the regulations there, have you not?

Mr. STEENERSON. Yes, sir.

The CHAIRMAN. Will you have them inserted in the record?

Mr. STEENERSON. Yes; and I will go further, and will have this annotated so as to show exactly—

The CHAIRMAN (interposing). The changes suggested?

Mr. STEENERSON. I might say here what I intended to say later on, that anybody who reads this bill would say, "This is too technical; neither the committee nor the Congress can understand all these things that are in this bill about these grades." That is true only on the face of things. It is true that these regulatory orders defining the classes and subclasses and grades and the conditions for each grade are technical.

The CHAIRMAN. But you can boil it down so that it will not encumber the record more than necessary, and I take it that that pamphlet can be reduced probably to two or three pages and yet cover your points.

Mr. STEENERSON. I will reduce it so that it only relates to spring wheat. These regulations relate to all kinds of grain.

The CHAIRMAN. We have the regulations as to all the classes and grades.

Mr. TINCER. Is that the last regulation?

Mr. STEENERSON. Yes; this is the last one.

The CHAIRMAN. Have you the regulations issued during the war?

Mr. STEENERSON. No; but I can get them.

The CHAIRMAN. Can you give us information as to when the regulations were made fixing the large spread and then narrowing it down after the wheat had passed out of the hands of the farmers into the hands of the speculators?

Mr. STEENERSON. I think I could have a search made of the bulletin and furnish that to the committee. The official bulletin published all that information, I think.

The CHAIRMAN. You know there was a great deal of talk, and the claim was that the spread was fixed at about 32 points, while the farmers were selling their grain and then after it had passed into the

hands of the grain corporation or the speculators, it was narrowed down to 10 or 11 points, and thus the farmers lost about 21 or 22 points.

Mr. STEENERSON. I have no doubt that is correct.

The CHAIRMAN. If you have any information on that put that in the record so that we may know about it. Also, have you any definite information as to the profits made by the grain corporation.

Mr. STEENERSON. I have not that information, but I will look it up.

Mr. CHAIRMAN. I have an extract from the Quarterly Journal of Economics, reprinted on pages 48 and 49 of the hearings before the Joint Congressional Committee on Short Time Rural Credits, April 16, 1921, as follows:

The total purchases of wheat and flour by the Grain Corporation during the three years of its existence amounted to the equivalent of 705,000,000 bushels of wheat.¹ From September 1, 1917, to May 31, 1920, its total purchases of all kinds aggregated the sum of \$3,735,771,861.92 and its sales \$3,685,546,644.28.

The total operating expenses during this period were only about 0.17 per cent of sales and the net profits on completed business about \$50,000,000. Of this amount approximately \$20,000,000 represents profits arising from sales of foodstuffs, chiefly wheat and flour, to European neutrals during the war, at prices above the Government buying prices. These neutrals took unconscionably high profits from their shipping business during the war, even upon the transport of supplies destined for the use of our own Army abroad, and it was deemed nothing less than right that they should be required to pay prices which would return some of that profit to this country. Also included in the profit item of the Grain Corporation were some \$8,000,000 of "excess" profits which the flour mills were required to refund after detailed audits had been made of their accounts. These represented profits in excess of those which they were permitted to take under the regulations of the Food Administration governing the operations of flour mills in 1917-18.¹

At the end of June, 1920, the Grain Corporation returned \$950,000,000 of its capital to the Treasury of the United States. This was the total amount that had been drawn from the Treasury out of the special appropriation of \$1,000,000,000 provided by the wheat guaranty act of March 4, 1919. It was expected that the Grain Corporation's remaining capital of \$150,000,000 would be returned to the Treasury in full upon the final liquidation of accounts and claims still outstanding on June 30. These accounts included considerable debit balances (nearly \$60,000,000) owing by several European Governments to whom flour had been sold on credit for relief purposes.

(There is also printed the following table:)

Statement showing expenditures and receipts in wheat by the United States Grain Corporation.

Month.	Disbursements.	Receipts.	Debit.	Credit.
1919.				
July.....	\$39,609,924.00	\$33,270,687.96	\$6,389,236.94	.....
August.....	173,472,547.13	97,529,021.16	75,949,525.97	.....
September.....	178,415,644.41	125,254,228.82	52,761,386.09	.....
October.....	79,076,774.17	48,787,496.14	30,288,278.03	.....
November.....	51,518,122.15	88,060,569.44	.....	\$36,541,477.29
December.....	32,278,077.18	89,018,363.71	.....	56,745,286.53
1920.				
January.....	16,045,454.81	51,656,365.04	.....	35,610,910.23
February.....	6,873,286.82	10,457,047.58	.....	12,563,760.74
March.....	6,952,670.82	17,924,315.26	.....	10,971,644.44
April.....	5,792,397.92	13,618,019.01	.....	7,845,621.69
May.....	5,175,939.80	12,927,500.46	.....	7,751,588.85
June.....	5,764,664.85	14,045,156.02	.....	8,280,491.17
Total.....	600,569,473.46	611,561,799.27	165,338,427.03	176,330,752.94
Receipts.....				\$611,561,799.37
Disbursements.....				600,569,473.46
Profit.....				10,992,325.91

¹ Purchases of wheat were 435,001,462 bushels; purchases of flour, 59,897,761 barrels.

Mr. STEENERSON. Now, as to this specific point, by having these regulatory announcements which now govern the grades as made by the Secretary of Agriculture under authority of the grain standards act annotated so that you will see where the changes occur, it will not be difficult for the members of the committee or the Members of the House to see just what it amounts to. For instance, there is one change we make in the test weight. Another is in the moisture test, and so forth, which I will discuss in detail a little later on. These regulations are noted here in order to correspond with the bill, and I will say right here that I am redrafting my bill after having conferred with the representatives of these three States last night. I found that I did not have the information I should have had when I drew my bill. I drew it upon certain papers which I then had. We have now agreed on certain modifications and that bill will be introduced to-day and the revised version of my bill will be before the committee to-morrow.

The CHAIRMAN. How often have these regulations been revised?

Mr. STEENERSON. I think they have been revised about three times.

Now, to proceed to the development of these grades, when the Food Administration let off the restrictions, of course, at the terminal markets the bidders were at liberty to give whatever premium over the price which the grade indicated that they desired, so that as usual there was a great deal of grain sold in the terminal markets, especially Minneapolis, upon its milling value as it appeared to the man who examined it, and that, of course, somewhat modifies the losses or minimizes the hardship of the grades themselves, because if you grade wheat that is intrinsically worth No. 1 as No. 3, and a miller sees it and wants it, he will pay the No. 1 price notwithstanding it is being degraded.

The CHAIRMAN. Can you approximate the amount sold on sample?

Mr. STEENERSON. No; I could not give you the amount, but there are men here who can probably give you some idea about that.

Now, I want to point out that the representatives of the farmers of these States—and among the farmers I count myself because although I practiced law, I also had a farm and I raised wheat, and I have sold wheat ever since I was a boy, every year. I am raising wheat now. I raised wheat last year or tried to raise it, although it was killed by black rust. I have shipped wheat in carload lots to the terminal markets and have sold and am selling now whatever I am raising to the elevators—and I will say in behalf of the farmers that there has been a continual protest against the Federal grades since they were adopted.

Mr. TINCER. What is wrong with them?

Mr. STEENERSON. I will come to that later.

Mr. TINCER. That is the important thing.

Mr. STEENERSON. Put in a nutshell they operate in favor of the miller and the grain dealer instead of the market, so that I may——

Mr. CLARKE (interposing). Was it not the idea in establishing these grades in their incipiency to really establish fair play as between them?

Mr. STEENERSON. I am glad you have asked that question and I will now proceed to show you just what I have found out. We protested against them and Mr. Brand, who was then Director of the

Bureau of Markets, held hearings in Minneapolis, Fargo, and in Montana, and for the grain men in Chicago. They were very largely attended hearings held along in 1918 and the farmers were unanimous everywhere in asking for modifications of these grades. The grades as they are now, and as they were—they have been somewhat improved—were too numerous. There were over 100 different grades of wheat. They were unsuitable for the equipment that the farmers and the grain trade had at their command. The country elevators have only a few bins, perhaps six or seven bins, and two or three of them are devoted to oats, barley, and flaxseed, and there are only two or three left, in the ordinary country elevator, for wheat. These grades penalize the man who has his wheat mixed and consequently, when it comes to the terminal market, it may be degraded because of the necessity of putting it in the same bin, etc.

Mr. ASWELL. Mr. Steenerson, in the hearings on the future grain dealing bill, it was repeatedly certified here that there are 23 grades. You now say that there are over 100.

Mr. SINCLAIR. That referred to the 23 grades they could fill on contract. They had the option of filling a contract with 23 grades.

Mr. ASWELL. Do they not trade on these 77 other grades that he talks about?

Mr. SINCLAIR. Yes; they trade on all of them.

Mr. STEENERSON. There are six grades for each subclass and there is class A and class B. I am now speaking only of spring wheat. When it comes to all kinds of wheat there are more.

Mr. ASWELL. You mean there are 100 grades of spring wheat?

Mr. STEENERSON. There are two subclasses of one kind and under these regulations there are four subclasses on another and six grades in each one.

Mr. ASWELL. Are there 100 grades of spring wheat?

Mr. JACOBSON. That includes all the different varieties of spring and winter wheat.

Mr. SINCLAIR. I can name them all. There is the dark northern, northern and durum, and under each one there are A and B classes, and then six grades in each one, so you would have pretty nearly 50 grades.

Mr. STEENERSON. We have experts here who will put that information on a chart and you will see exactly what it is. I can not carry all of that in my memory. I am only giving you a general review of the efforts that the farmers have made to change these grades, to show you that it is not a sporadic dissatisfaction but that it is a continual, settled belief on the part of the farmers of the Northwest that the grades as established by the Secretary of Agriculture are unfair to the wheat raiser, and that they result in loss.

Mr. CLARKE. How far have the respective States gone in protecting them against the unfairness of the thing?

Mr. STEENERSON. These States are the principal spring wheat States, and Minnesota has her own grades, but you understand you can not use those local grades except in intrastate commerce and therefore that amounts to very little. There have been efforts in North Dakota and I think in South Dakota also in that regard.

Mr. CLARKE. What have they actually done in the way of legislating on the matter?

Mr. STEENERSON. Mr. Sinclair knows what they have done in North Dakota.

Mr. SINCLAIR. In North Dakota they have passed a special grain grades law of their own.

Mr. CLARKE. How does that differ, for instance, from Minnesota?

Mr. SINCLAIR. It does not differ so much from Minnesota. It is very much like the old Minnesota grades, is it not, Mr. Steenerson? I would have to go into a technical discussion of the subject to explain that fully.

Mr. STEENERSON. We will go into that later on. If I may proceed now, I would like to point out the fact that we have tried to get these grades changed. We first tried it before Secretary Houston, but, of course, the war was going on, and we did not get anywhere. They thought they had better let it rest. Then we took it up with Secretary Meredith, when the war was over, somewhat over a year ago. We had extensive hearings and Secretary Meredith refused to change these grades on the ground that they had not had a sufficient trial in peace times; that the Government had been in the grain business for the crop of 1919 and that they should be tried out at least a year more when the Government was out of the business.

That time had arrived, so that in May we made application to the Secretary of Agriculture, Mr. Wallace, for a hearing. We appeared there. The Legislature of Minnesota appropriated a sum to send farmers and some of the officials down here to explain it to the Secretary of Agriculture; and we did the best we could. The members of the Minnesota delegation here, or at least three or four of them, Mr. Sydney Anderson, Mr. Knutson, Mr. Clague, and myself were there during the entire hearings. Mr. Wallace refused to modify the grades principally, as I understand his decision, on the ground that he was not sufficiently familiar with the subject to overrule his subordinates; that his subordinates, the Bureau of Markets, did not favor any change, and so long as we could not convince them, he would have to stand by them. That is the way I understood it, although that is probably not just the way he expressed it. So we have now for the third time been refused any relief by the department. We are coming to Congress for relief on the principle, which is familiar to you all, that when anybody has not any relief in the departments, he lays his case before Congress.

Now, the objection might be made that this is an extraordinary thing, inasmuch as the grain standards act provides that the Secretary of Agriculture shall first investigate the marketing and handling and dealing and raising of grain of all kinds, and then shall promulgate grades and standards for wheat, oats, and so on. He did promulgate those grades.

Mr. TINCER. While I do not know whether I am right or not, to my mind your bill raises the question of whether or not the proper way to legislate is to delegate the power to the Bureau of Markets and the Secretary of Agriculture to fix standard grades or whether Congress ought to fix standard grades by law; is not that really the question raised by this bill?

Mr. STEENERSON. I do not contend for anything quite as broad as that, but I do contend that when we find on experience that the grades promulgated by the department are working an injustice to

the producer Congress has a right to look into it, because the law itself which Congress enacted for the purpose of governing the Secretary of Agriculture in fixing these grades and standards says that he shall from time to time modify and alter these grades. It was in order to have it flexible that Congress delegated the power to the Secretary. It is a technical matter, and for that reason we delegated the power to the Secretary of Agriculture. The subject is a very technical one, and it takes a good deal of study to be familiar with it, and every Secretary of Agriculture, so far as I know, has not really mastered the situation, and therefore he has to depend upon his subordinates, the Bureau of Markets, and they are like a great many other bureau chiefs, very insistent, when they have once done a thing, that it must remain so; that what they did was right and should not be changed.

Now, that is a mistaken view, to my notion, on their part, because the very subject of grain grades is a matter that is variable. When the law of Minnesota 25 years ago vested the fixing and promulgation of grain grades in the railway and warehouse commission of that State, they provided that it should be revised frequently, and it was revised as frequently as once a year, because the rules of one year would not exactly fit the conditions of another year. Now, this has been entirely ignored and overlooked by the bureau chiefs in the Department of Agriculture. They think what they have once said must stand, and that nobody has any right to interfere with it.

Mr. ASWELL. Mr. Steenerson, may I interrupt you right there?

Mr. STEENERSON. Yes.

Mr. ASWELL. Recently this committee has turned over the control of the packers and the boards of trade to the Secretary of Agriculture. That has just recently been done, and now you propose to turn around and take this action away from him.

Mr. STEENERSON. No; my revised bill does not provide for anything of that kind.

Mr. ASWELL. Would not that be inconsistent?

Mr. TEN EYCK. It would not be considered "government in business" if we passed this bill, would it?

Mr. STEENERSON. Oh, no; this bill simply provides, for instance, that instead of having a test weight of 59 pounds we shall have 58 pounds for No. 1. Now, that is a matter of experience. We have found out that if you have that high test very few people will have any No. 1, and it will all be sold at No. 2 prices. Likewise the moisture test—

Mr. TINCHER (interposing). What would you do, then, with the people who have 61 or 62 pounds?

Mr. STEENERSON. That matter is taken care of.

Mr. TINCHER. Is there any way to fix it by legislation so that the wheat that weighs 58 pounds to the bushel will make as much flour as the wheat that weighs 62 pounds?

Mr. STEENERSON. Now, the experts here will explain that, but I simply want to say right in that connection, although it may be as plain as A B C to everybody here, I would like to have it in the record—when we speak of test weight and the grading in proportion to the test weight, it is due to the fact that the lower the test weight the less flour is made in proportion to the feed that is produced from the wheat. We have, for instance, wheat weighing 60, 59, 58, 57,

and so on down to 50 pounds, and if that wheat was on the table here put into containers, the 60-pound wheat would be just exactly level with the top, if you took a straight ruler and wiped off the surplus on the top. There you have just exactly 60 pounds of wheat. That is what the man who bought it would get. The next container would have 58-pound wheat and it would be more than full and you would have to take 2 pounds and pour it on the top of that wheat to make up the total 60 pounds, and the question would be, Would that Winchester bushel measure with the 2 pounds of wheat added to it produce as much flour as the Winchester bushel of 60-pound wheat? Experience has shown that the difference is so slight that it is negligible, and therefore the man does not give a bushel, but gives a bushel with 2 pounds added, and so it is with the man who sells 50-pound wheat. That is shrunken wheat. You have to first give a bushel measure of wheat and then you have to add 10 pounds, and the fact is that we are prepared to prove that the value of that wheat is considerably more than is usually supposed. It is true it does not yield quite as much flour but it produces very strong flour and for mixing purposes, in certain cases, it is worth more than it would be on its own merits.

However, the milling value of the wheat should be the true test of its grade, but that is impossible. We have got to approximate that as near as we can.

Now, then, we proceed here to examine these grades that have been promulgated. As I have said, the farmers are dissatisfied. There can be no question about that. We have been here for four years trying to correct it. It is nothing unusual for the Congress to correct an order and this is simply an order of an executive department. There is nothing unusual about that. We do that quite frequently. I did it the other day on a salary bill. The Post Office Department issued an order that no man who was a special clerk should be anything but a distributor. It was working a hardship on many men in the larger cities and the Post Office Department was willing that we should change it, although they did not feel like changing it themselves.

Now, that is exactly on a par with this matter. We are changing the terms of an executive order by act of Congress. And I provide in this bill—it does not appear in this section, but I have it drawn—it will be in print to-morrow.

Mr. ASWELL. Did the Secretary of Agriculture approve this bill?

Mr. STEENERSON. I should not think so. We have not asked him to. It overrides what he has done. This will provide that these grades shall take effect 90 days, or something like that, after the bill is passed; on the 1st of August, after the bill is passed. That is the end of the crop year. And after that, after it has been in force one year, after we have tried on these congressional grades and after they have been in force one year, then the Secretary of Agriculture may modify them if he finds they need modification.

The grades we contend for are substantially the same as we have had in the Minnesota grain-inspection system for 20 years. And for that reason we have confidence that after they have been tried for one year, that no Secretary of Agriculture could possibly change them, if he was acting in the interest of agriculture, and we assume that he will do so.

Now, during the hearings I want to call your attention to the fact for a minute that the Bureau of Markets officials who fixed the grades originally did not consult the farmers. They have admittedly said that they consulted the grain trade. This matter came up before this committee when we had the Anderson bill up before to fix these grades by some commission. Mr. Brand testified before this committee on January 9, 1918, as follows:

We make it a practice not to put any of these standards into effect without first having extended conferences with the trade, in order that it may have a full voice in the final enactment, and in order that where mistakes occur in any particular standards they may be pointed out, so that the standards may be as good as possible.

Mr. Brand was the head of the Bureau of Markets, and I supposed at that time that he was the man that actually had framed these regulatory rules covering the grades, but at the last hearing, before the Secretary last May, Mr. Shanahan, of Buffalo, N. Y., appeared, and he said that he was the author of these grades; that he spent four years in the department, and that he was the head of the investigation of grain standards, and he claimed to be the author of the system that was formulated. He was, before he was put into the department, a grain expert from Buffalo. He had been inspector of elevators, and he had been in the milling business; and after he had retired from the department he was employed, and is now employed, by a great flour-milling concern in Buffalo.

During the hearing someone suggested that the millers and farmers were opposed to each other on the question of grades, and he said there that the miller is the farmer's best friend. He said, whatever is for the interest of the miller is for the interest of the farmer.

Now, that was his view in 1921, and it was his view in 1916 and 1917, when he framed these grades; and the head of the Bureau of Markets here shows that he simply consulted the grain trade.

There never was a farmer consulted when the grades were framed. And when the grades were framed and ready it was found they would not work well. And Mr. Brand had hearings in all these places. I attended very many of them. At the hearing in Minneapolis, and I think in Fargo, the farmers were very numerous, and their testimony was very strong; and I asked Mr. Brand if he could give me a copy of the hearing, and he did furnish me a copy. I introduced a resolution to have it printed, because it was astounding as to what these grades were doing in enriching the middlemen. I would not have had any trouble in getting it printed, but Mr. Brand went to the head of the printing committee at that time and said they objected to it being printed. I could not get it printed without the support of the chairman, and he would not let it go without unanimous consent. So it was evident that the department did not want the people or Congress to know what was the view of the farmers as to these grades.

Mr. ASWELL. Do you mean, Mr. Steenerson, that the Department of Agriculture was acting strictly in the interests of the millers and against the farmers?

Mr. STEENERSON. I do not mean to say they were on purpose. I said to the Secretary the other day that unconsciously, or some other way, they did consult the grain trade simply.

Mr. ASWELL. And against the farmers?

Mr. STEENERSON. Yes.

Mr. ASWELL. You make that assertion?

Mr. STEENERSON. I do.

Mr. ASWELL. All right.

Mr. STEENERSON. Mr. Brand stated here, and repeatedly, that these rules were framed after a consultation with the grain trade, and if they were not satisfactory he would make them satisfactory. And I would say to you gentlemen that Mr. Brand was a Republican, so I am not criticizing on that account.

Mr. ASWELL. I am not discussing politics; I am discussing facts.

Mr. CLARKE. Here is my idea: The Secretary of Agriculture, as we are well aware, is in touch with the situation, from a practical standpoint, more than any man we have had there for years.

Mr. ASWELL. I think that is true.

Mr. CLARKE. And he is a level-headed man. That is the impression I got of him. And I can not feel that if he thought there was the least injustice done to the farmers that he would not correct that.

Mr. STEENERSON. I thought so, but having spent two or three days before him, and he said—I will produce the letter he wrote—he said that he did not know enough about it to change it. It results that the same men that made the grades hold them. They are the officials under Mr. Wallace.

Mr. TEN EYCK. You do not mean to say that Mr. Wallace is not in control of his department?

Mr. STEENERSON. I do not mean to say that if he undertook to tell them what to do they would not do it, but he does not feel that he knows enough about it to tell them.

Mr. RIDDICK. Isn't it true that Mr. Wallace feels there is some argument on the other side? Let me say that in Montana we feel that the Minnesota farmers are very much in error.

Mr. STEENERSON. It may be that he takes that view.

Mr. TINCER. Another thing, I think you ought to state to the committee: A good part of your statement this morning has been history, with which some of us are very familiar.

Mr. STEENERSON. It is leading up to the point.

Mr. TINCER. In 1919, up until August, there was an order in effect as to the grading of wheat, which was very unsatisfactory to the farmers all over the Nation. It is the order Mr. McGovern has mentioned, which occasioned the great spread between the price of the wheat to the farmer and to the miller. I know in my own State there was a spread of 30 cents. We got an order in August, 1919, cutting that down, I think they called it 11 points. That was the trouble with the Brand administration, if you may term it such. A good many people were wrought up over Mr. Brand's attitude.

What I would like to know, and I think the other members of the committee would like to know, is something specific as to the order that is in effect now. Take a bushel of wheat, and tell us something about how the order pertaining to grades affects you.

Mr. STEENERSON. I want to say that the order pertaining to grades that you speak of is not the order as to the grades. That was the order Mr. Barnes made as to the spread of the low-grade wheat. I remember, in New York, I attended some meetings.

Mr. TINCER (interposing). Mr. Barnes may have made the order. He could not make it unless he had Mr. Brand make the recommenda-

tion. But that is the one you say you were denied the privilege of publishing. Tell us how the farmer was being gouged, then.

Mr. STEENERSON. You refer, do you not, to the order that referred to the Government buying?

Mr. TINCER. That fixed the grade for all buying.

Mr. STEENERSON. But that is out of the way now; there is no Government buying now.

Mr. TINCER. What I want to find out now; I wish you would take a bushel of wheat and show us whether the grade hurts you.

The CHAIRMAN. However, the contention is that a great wrong was committed. Now, let us find out what was the matter and what is before us now.

Mr. STEENERSON. I have never had the experts point out exactly where it comes in. We pointed out before the Secretary of Agriculture a while ago a difference of 43 cents in No. 1 wheat.

The CHAIRMAN. A spread of 41 cents?

Mr. TINCER. That is very nearly right.

Mr. STEENERSON. I made that statement to you to explain why I am asking an amendment to the grades established by the Secretary of Agriculture. We have given up any hopes that we can get any relief from the Secretary of Agriculture. Therefore, we are coming to you and asking that you modify the rules. They are very simple and will be explained by these witnesses that we will call. They are of great importance.

Now, as to that, however, we are putting in here a clause that the Secretary of Agriculture can change them.

Mr. JONES. Mr. Steenerson, I am interested in this bushel of wheat they are talking about. Can you not take up a bushel of wheat and tell us how the grades hurt you?

Mr. STEENERSON. For instance, as Mr. McGovern showed before the Secretary, here is a lot of wheat that each kernel of it, separated from the dirt, each kernel of it is perfect, and it will weigh 59 pounds; but it happened to have mixed with it wild peas, and this provides that it will put down the grade 1 per cent, and if it puts the grade down 1 per cent, on the carload you lose \$100. On 3 per cent, the grade goes to No. 4, and if there is 8 per cent of wild peas, it is rejected—that is, solely on the grade. You would lose, then, some 43 cents per bushel, at the time that I made these estimates—you would have lost \$430 on a 1,000-bushel car.

At the terminals where these big mills are, they have machinery that can take these wild peas out. You can not do it on the farm or with an ordinary fanning mill. And, therefore, it is graded down, although the mill itself has it as No. 1, and it goes down in grade as the percentage increases. Now, if it is true that they have machinery that they can separate these wild peas out—and it was testified that it can be done for 2 cents a bushel—why should the farmer lose \$430 on 1,000 bushels of wheat that is all No. 1 when it is cleaned, because of the presence of that foreign material, which can be taken out for \$20—2 cents per bushel?

Mr. CLARKE. What is there to prevent the farmers in a local organization just handling that situation themselves and saving themselves by the purchase of proper machinery?

Mr. STEENERSON. Well, I think that can be done only when the farmers are organized and operate elevators.

Mr. CLAGUE. Mr. McGovern has these samples right here. I think it would be of wonderful interest to the committee to show you how that works out.

The CHAIRMAN. How would it be if you go on with your statement, and then put on your experts who are familiar with the facts?

Mr. STEENERSON. Yes; that is what I intended to do. I simply wanted to explain the legal principles. I shall follow it up by all these points. I do not know that there is anything more for me to say.

Mr. ASWELL. Mr. Steenerson, I am wanting to ask a question, because I want to know something about it.

Mr. STEENERSON. You should ask it from somebody who knows.

Mr. CLARKE. You are a farmer?

Mr. STEENERSON. Yes.

Mr. ASWELL. You know something about it?

Mr. STEENERSON. Yes.

Mr. ASWELL. You stated a while ago that Secretary Wallace refused to act because he had not yet learned sufficient about the facts in connection with this matter; I thought you said that?

Mr. STEENERSON. That was, in substance, the reason he gave.

Mr. ASWELL. Then you said that you changed your bill last night. Where will we be to-morrow? I want to know whether this committee can depend on anything. You changed your bill last night; where will the committee be next Monday?

Mr. STEENERSON. These changes were very simple.

Mr. ASWELL. Let us get something we can stand by!

Mr. STEENERSON. I will tell you frankly why we changed it: We changed it because we found there was some difference of opinion in some quarters as to the test weight we should have. The test grade in Minnesota was always 57, but some think it should be a little higher.

Mr. TINCER. That hurts the grade of wheat unless you get the dirt or peas—

Mr. STEENERSON (interposing). There does not anything hurt it if you get it out.

Mr. TINCER. It hurts it unless you do.

Mr. STEENERSON. I want to say a word for the common farmer. The dockage can be taken out, and the foreign material can be taken out. What we mean by the foreign material is this which is supposed to be inseparable, but it is not inseparable. The local farmer can not take those things out.

Mr. TEN EYCK. I want to ask you a question there: I have bought some oats to get the best, that has mustard seed in it; you would not grade that No. 1?

Mr. STEENERSON. Mustard seed?

Mr. TEN EYCK. Yes; you have seen mustard seed in oats?

Mr. STEENERSON. Yes.

Mr. TEN EYCK. I would say \$5 a bushel not to get it on the farm.

Mr. STEENERSON. If that mustard seed was taken out in sufficient quantities to make mustard for the table, it would be worth more than the oats.

The CHAIRMAN. Oats are graded according to quality, and, of course, the dockage is considerable.

Mr. STEENERSON. Yes; of course. I simply wanted to say that the common farmer who has to sell his grain to the local elevator, he is the one that ought to have the protection. He is dependent upon the local fellows, and these grades operate more against him than anybody else.

Now, it is not an unusual thing, as I said before, to change the regulatory orders of a department by an act of Congress. Even the parcel post law, which provides for rates of postage, says that the Postmaster General may change them afterwards. I make the same provision here—that the Secretary of Agriculture may change the grades if, after it has been tried one year, the Secretary can change the grades, if they are not satisfactory.

Now, I would be very glad to have the committee hear Mr. Sullivan.

The CHAIRMAN. We are much obliged to you, Mr. Steenerson.

Mr. STEENERSON. I would like to introduce Mr. Sullivan, who is a State senator in the State of Minnesota, and who is familiar with this subject.

**STATEMENT OF MR. GEORGE H. SULLIVAN, STILLWATER,
MINN.**

Mr. SULLIVAN. Mr. Chairman and gentlemen of the committee, the Legislature of Minnesota last winter passed a resolution with reference to the State grades and Federal grades of grain, in substance directing that the officials of the State and a committee to be appointed under the resolution, do everything in their power to secure a modification of the Federal grades. And that is why I am here; that is why I am appearing before this committee at this time, and also Mr. Bendixen, and Mr. Norgren, representing the house. And the way we view this matter and the reasons we ask for modifications of the grades may be stated in very condensed form without going into detail.

But I want the committee to understand the viewpoint that we have there. There is no difficulty in the Minneapolis market, or in any other great terminal market about applying Federal grades. I say, no difficulty. That is not the subject of our complaint. The subject of our complaint touches the primary market, where the individual farmer carries his load of wheat to the local elevator. Broadly stated, the trouble there is that, first, you have too many grades, and, second, you have too many fine distinctions which are inapplicable, by reason of the inability of the local elevator man to apply them at the place of primary sale. For instance, the question of moisture—one-half of 1 per cent of moisture will throw the grade from No. 1 to No. 2, and so on down to 3 and 4.

Mr. TINCER. How much moisture throws it to No. 3?

Mr. SULLIVAN. I am not here to discuss that. I am here to discuss the principles. We will have a man here who will discuss moisture only. But one-half of 1 per cent will throw it from No. 1 to grade No. 2.

Mr. TINCER. The reason that I asked that question is, my understanding is that No. 1 wheat is more or less of a fiction; that is, it is very seldom that wheat grades No. 1.

Mr. SULLIVAN. I am pointing this out as a proposition that can not be determined properly when the elevator man has 40 loads of

wheat waiting for him—he can not take a moisture tester and test all the wheat. I think all the experts will agree that the higher grades will sometimes have moisture.

We contend here for the standard grade, and then if there is any difference, state it on a certificate, but do not throw the wheat out entirely and make a difference of 11 or 12 cents. That is one question.

Then, also, as to the question of dockage. Dockage affects the grade. We say that dockage should be noted on the certificate, and dockage can be determined at the primary point of market. But as the grades are determined now, a single per cent of dockage throws wheat into a lower grade, and the dockage is worth something, but they penalize the farmer for having the dockage.

The CHAIRMAN. What is the effect?

Mr. SULLIVAN. I do not know; they will tell you about that. When the wheat is sold in the terminal market on these samples, the question can be determined by the man who buys for the miller. And that leads up to the question that if we have the modifications we ask, the millers concede that they can do business and tell practically as to the wheat, and that will protect them and everybody, and heretofore everybody that has undertaken to speak upon this question here and everywhere else admits that the farmer at the primary market can not be protected, or protect himself under the present Federal grades. It is for this reason we make this statement at this time, to call your attention to the fact that the farmer can not protect himself in this matter.

Mr. CLARKE. Is there any local organization in the small towns?

Mr. SULLIVAN. Yes, sir.

Mr. CLAQUE. Almost every township has one.

Mr. SULLIVAN. I might say, also, that many men market wheat who do not have granaries; they take their wheat directly from the threshing machine to the elevator; they can not stop to clean it and test it.

Mr. TINCER. What I meant is this: Wheat, as I understand it—I may be wrong—I have not been around an elevator much in the last year, but as I understand it, wheat is handled principally as No. 2, and on the No. 2 basis. I understand everything has to be practically perfect to make a car of wheat No. 1. Now, one-half of 1 per cent of moisture, you say, that puts it off-grade, not being No. 1. I wondered how extreme they were taking it, to make it grade from No. 2 to No. 3?

Mr. SULLIVAN. A very small percentage will take it down there. You see, a very little percentage takes it down. Just a little moisture takes it down. A very little dockage takes it down. They all have to be perfect to make it No. 1; but it still makes it No. 2 if they are all wrong. That is not scientific; but I am not here to discuss that.

Mr. JONES. You mean, if all these defects are present it is still No. 2?

Mr. SULLIVAN. Yes; it can have all these defects to a certain percentage and still make it No. 2, whereas any one of these defects will have the same result, and make it No. 2.

I want to file with this committee a letter from a man who knows all about these matters, a man with whom you are familiar, Congressman Anderson. He wrote a letter to the Secretary on the 1st of May, 1921.

The CHAIRMAN. Without objection, the letter may be read.
 Mr. SULLIVAN (reading):

MAY 1, 1921.

The honorable the SECRETARY OF AGRICULTURE,
Washington, D. C.

MY DEAR MR. SECRETARY: It occurs to me that it might be useful if I put in writing what I understand to be, in general, the views of the Northwestern committee with respect to modifications of the spring wheat grades and the consideration which I think are in their minds as well as in my own, impressing upon you the necessity for action upon this matter at this time.

You know that the farmers of this country are nearer bankruptcy to-day than they have been for 30 years. The situation of many of them is well-nigh desperate. Any failure of the Government to promptly redress any just grievance adds despair to distress and desperation to despair, and lends color to the claims of those who trade upon the alleged indifference and unconcern of the Government to the needs and grievances of the farmer.

I appreciate your desire to delay final conclusion in the matter until you have opportunity to fully inform yourself through the agency of representatives in whom you have confidence, but the point of view of those who are urging modifications of the grades is that while this is a new question to you it is not new to the Northwest nor to the department, and there are those in the department who can promptly formulate the rules necessary to bring about the desired modifications if they can be brought to an intelligent appreciation that this is a practical problem, to be solved with some regard to local conditions and with a due respect for the fundamental purposes to be served by the establishment of grain grades. However honest the Bureau of Markets has been in its conclusions with respect to the grades, it has never shown any appreciation of the necessity of dealing with the problem from the standpoint of the practical application of the grades at the local markets, with due regard to the grain as it is actually received at those markets and the conditions which surround its movement, nor the principles which should govern their formulation.

On the contrary, they have regarded the problem as a scientific one, to be solved by reference to charts, graphs, and statistical tables which have little or no relation to the determination of the intrinsic or milling value of the product. They have conceived the problem from the standpoint of world trade, and from the viewpoint of the buyer rather than that of the seller. I anticipate that very little spring wheat is exported. The millers constitute practically the entire market for spring wheat. The milling industry is the largest manufacturing industry in my district, as it is the largest in the Northwest, and one of the largest in the country, and I would not see it done an injury in the grades, but it is amply able to take care of itself under any system of grain grades reasonably applicable to marketing conditions as they exist in the Northwest.

As I conceive the problem underlying the formulation of grades, it seems to me that the grades adopted should be applicable to the grain as it is actually received at the local markets and to the conditions that exist in those markets. More than 70 per cent of the spring wheat reaches the terminal market before the 1st of January; a very large proportion of it is sold direct from the threshing machine, not because the farmer is indifferent to the desirability of marketing clean grain, but because he is under the stern necessity of getting the money to pay the bills that become due in the fall. The grades should not be used as a means to enforce changes in farm practice, which are dictated by local weather and crop conditions which can not be modified by any arbitrary rules that may be laid down.

Second, it should be borne in mind that the tendency should be in the direction of promoting the application of the grades at the local markets, and this means simplicity rather than complexity, the reduction rather than the increase of the elements which go to the determination of the grade. The more numerous the elements which may cause a lowering of the grade the greater the disadvantage of the producer, and this is especially true where the difference in price between the grades is largely in excess of the reduction in milling value occasioned by the presence of degrading elements on the average. Under existing rules spring wheat may be lowered in grade on account of the presence of any of the following elements: Presence of moisture in excess of 14 per cent; damaged kernels in excess of 2 per cent; heat-damaged kernels in excess of 1 per cent; foreign material in excess of 1 per cent; wheat of other classes in excess of 5 per cent; rye in excess of 1 per cent. If bought on the grade the same reduction in price occurs as a result of the presence of one of these elements as of all of them. Take, for example, No. 4 dark northern spring wheat; this grade would include alike wheat weighing 53 pounds, having 16 per cent of moisture,

10 per cent of damaged kernels, 5 per cent of foreign material, 10 per cent of other classes, 5 per cent of rye, and wheat weighing 60 pounds having 16 per cent of moisture and containing none of the other elements, or wheat weighing 60 pounds and containing 5 per cent of foreign material other than dockage and no other degrading element. It will scarcely be argued by anyone that wheat weighing 60 pounds with 16 per cent moisture only, or wheat weighing 60 pounds having 5 per cent of foreign material only, is of the same value as wheat weighing 53 pounds containing all of the degrading elements mentioned.

The obvious effect of the injection of so many elements reducing the grade is to lower the price to the farmer to an extent far out of proportion to the decrease in value in the grain represented by the presence of those elements. In the case of moisture content the grade is lowered if the grain contains more than 14 per cent; on the average as received at the market it contains very much less than 14 per cent. If it contains 12½ per cent or less the producer receives no premium, but if it contains 15½ per cent the producer is penalized to the extent of three grades. The establishment of a maximum in all grades of 15 per cent works no injury upon anyone because in the average the buyer will get grain containing an average of moisture below that now permitted in No. 1.

The same thing is, in general, true with reference to foreign material, and if grain is to be degraded upon this ground alone, it is degraded to an extent far in excess of the actual difference in milling value represented by its presence. If the miller doesn't separate it—and it can be separated—he puts it in the flour. He has a sufficient advantage, it seems to me, in securing the dockage for nothing whether it can be separated or not, without the advantage of the reduction in price effected by lowering the grade through its presence.

If it is admitted that Durum wheat is equal in value to winter wheat, and I understand it is so admitted, I can see no reason for discriminating against Durum wheat, but allowing only 5 per cent of Durum wheat admixture in spring wheat while at the same time allowing 10 per cent admixture of winter wheat constitutes a discrimination. The effect of the present arrangement is to put Durum wheat in a class with rye, where it clearly does not belong.

The elimination of grade 5 would greatly simplify the grading at the local markets, and I think is not objectionable from any point of view. I believe the Bureau of Markets does not make any point with reference to the elimination of this grade.

If I were to make a suggestion with reference to test weights it would be that test weights upon dark northern spring be left as they now are, and that the test weights upon northern spring be modified as suggested by the northwestern committee.

I can see no possible disadvantage to anyone by the adoption of the modifications in the matter suggested by the northwestern committee, and the adoption of these modifications, in my judgment, will greatly increase the applicability of the grades to northwestern grain and northwestern market conditions, and at the same time greatly alleviate the feeling that I am sorry to say exists there that the interests of the producer have not been adequately considered in the grades as they now stand.

The producers of the Northwest feel that they should not be required to suffer the disadvantages of the technical requirements of these grades through another crop season, with the losses incident to their inapplicability at the local markets. They feel that they have already suffered tremendously through the application of the grades, or their inapplication, and that such relief as can be given should be given now.

I know that you are considering this question from the standpoint of the producer. I want to be sure that you have before you his point of view and the point of view of those who have represented him here in this controversy. I hope you will find it possible to order the modifications requested, or at least a substantial proportion of them, at this time. The sooner the people of the country, and particularly of the Northwest, can be assured that there has been a change of administration and as a result of that change of administration a change of attitude and of policy with respect to the producer, the better it will be for the department and the producer both.

Very sincerely yours,

That is all the statement I care to make at this time.

The CHAIRMAN. We thank you very much, Mr. Sullivan.

I would like to inquire, is there any one here representing the Department of Agriculture?

(After consultation with members of the committee and those present in the committee room.)

Mr. H. J. Besley, from the Bureau of Markets, is here representing the department.

Mr. Steenerson, whom will you have called next?

Mr. STEENERSON. I would like to have Mr. McGovern make a statement to the committee.

STATEMENT OF MR. A. A. McGOVERN, CHIEF DEPUTY GRAIN INSPECTOR FOR THE STATE OF NORTH DAKOTA, FARGO, N. DAK.

Mr. McGOVERN. Mr. Chairman and gentlemen of the committee, I am the chief deputy grain inspector for the State of North Dakota, and my home is at Fargo, N. Dak.

I shall speak on foreign material; I will speak on the foreign material, as it appears in the Federal grades. I will speak from the standpoint of the farmer who sold his grain to the country elevator. I will show you how it is bought in the country elevator, and how it is graded, and I will show you samples taken from the farmers' wagons representing millions of bushels of grain in that state, and I will show you the flour that was manufactured out of those samples, and I will also show you the loaf of bread that was baked out of this flour.

Commencing with sample No. 1, I will show you the samples [exhibiting sample of wheat]. It is in the dirt, just as it comes from the farmers' farm. I have the grades and the prices here.

The sample No. 1 was bought of Mr. Harry Knutson, on May 31, 1921. It grades No. 5 dark northern, 59 test weight, 1 per cent dockage. Contains 3½ per cent kingheads. Free from kingheads, it grades No. 1 dark northern, 60 test weight, 1 per cent dockage. The difference in price between No. 1 dark northern and No. 5 dark northern at the terminal market, Minneapolis, is: No. 1 dark northern, \$1.62 per bushel; No. 5 dark northern, \$1.21 per bushel; loss to the farmer, 41 cents per bushel.

Now, the country elevator man subscribes to these cards, known as the grain bulletin cards published in Minneapolis by a man by the name of Durand.

Now, that 3½ per cent of kingheads amounted to 2.1 pounds per bushel; 60 bushels, minus 2.1 bushels, equals 57.9 pounds, at \$1.62, or a value of \$1.56; the price received with the kingheads was \$1.21, and the gain to the farmer if the kingheads had been considered as dockage, would have been 35 cents per bushel.

Mr. TINCER. How did he thrash this wheat [referring to sample No. 1]? This must have been thrashed with a flail, or it must have been beaten out by hand in some way.

Mr. McGOVERN. These prices are sent out net. These are the prices on that day. For No. 5 the farmer received 89 cents, with the freight off, and the profit, the man received 89 cents for that load of grain, the sample of which you are looking at. I have the card here, and I will file this statement with you.

Mr. JONES. Do you say this would grade No. 1 if it did not have this foreign matter in it?

Mr. McGOVERN. Yes; that grades No. 1 dark northern, and tests 60 pounds to the bushel.

Mr. JONES. That is, if you take out the foreign material?

Mr. McGOVERN. Yes, sir.

Mr. JONES. Do you not think there could be some of this eliminated by care in the thrashing?

Mr. McGOVERN. I don't know. I do not care to discuss that part of it.

There is a sample of the flour made from that grain [exhibiting sample of flour]. That is just as it came from the rolls.

Mr. JONES. They winnowed it first; they fanned it?

Mr. McGOVERN. The experienced miller is here and will tell you just how that was made. This is spring wheat, of course, remember.

Mr. JONES. Spring wheat?

Mr. McGOVERN. Yes.

Sample No. 2, which I have here—

Mr. JONES (interposing). What was the grade of this, under this bill as presented here, according to your contention?

Mr. McGOVERN. No. 1.

Mr. JONES. Just as it stands?

Mr. McGOVERN. Yes, sir.

Mr. JONES. You are asking that that be classed as No. 1?

Mr. McGOVERN. We are asking that that be called dockage.

Mr. JONES. Less the small amount of dockage; you would want $3\frac{1}{2}$ per cent dockage, and then have that classed along with the best wheat; is that what you contend?

Mr. McGOVERN. We want everything of a foreign nature in there classed as dockage.

Mr. JONES. You say there is $3\frac{1}{2}$ per cent of kingheads or some foreign material in it?

Mr. McGOVERN. Yes, sir.

Mr. JONES. And you want $3\frac{1}{2}$ per cent dockage?

Mr. McGOVERN. Yes, sir.

Mr. JONES. And with the exception of that you want that classed as the best wheat?

Mr. McGOVERN. I want that classed as No. 1 dark northern wheat.

Mr. JONES. You want that classed with wheat that tests 62 and 63?

Mr. McGOVERN. I want it tested.

Mr. JONES. With the buckwheat and—

Mr. McGOVERN (interposing). Buckwheat is foreign material. We ask that that be classed as No. 1 dark northern, because it is that.

Mr. VOIGT. You want that called what it is after it is cleaned?

Mr. McGOVERN. Yes, sir.

Mr. VOIGT. And you want the farmer to stand that dockage?

Mr. McGOVERN. Yes, sir..

Mr. SULLIVAN. In other words, he wants the certificate to state the facts. We want the certificate to state that fact.

Mr. McGOVERN. The certificate will show that fact.

Mr. JACOBSON. I want to inform the Congressman that the Washburn-Crosby Co. shipped out 18 carloads of wild peas in one year, and during the war they sold for \$40 a ton. I have got the records to show that that was done.

Mr. McGOVERN. I have here sample No. 2 [exhibiting sample of wheat]. Sample No. 2, 47 test weight, 22 per cent kingheads. Free from foreign material it grades No. 2 dark northern, 57.9 test weight. The difference in price as shown by car sales at terminal market, Minneapolis, was 45 cents. Average sale for No. 2 dark northern

was \$1.53. The farmer received 88 cents for that load, or a difference of 46 cents, what he received at the country elevator.

If the kingheads were considered dockage, he would have received as follows: Twenty-two per cent kingheads equals 13.2 pounds per bushel; 60 pounds minus 13.2 pounds would equal 46.8 pounds, at \$1.53 or \$1.19 per bushel.

Mr. McLAUGHLIN of Michigan. Is there any process of cleaning wheat between the country elevator and the mill that grinds the flour?

Mr. McGOVERN. Not yet. The country elevator, you understand, the crop is marketed there in about three months, and they do not have the time to clean it. Many of the elevators have the mills, but do not have the time to clean it. They must load it into the cars as quick as they can and keep their bins empty. In that way they are unable to clean much of the grain. It goes direct to the market.

Mr. SINCLAIR. Mr. McGovern, I do not think the members of the committee understand how fast the wheat comes in to the elevators in the Red River Valley when it is thrashed. The majority of the wheat is thrashed and goes in, 100 to 200 loads a day, into the elevators. It goes into the elevators just as it comes from the machine. The elevator man grades and docks it as fast as he can, and gives the benefit of the doubt in favor of the elevator every time. That is why grain of this nature has to be hauled into the elevator, and that is why it is not fanned or cleaned or anything of the kind.

Mr. McLAUGHLIN of Michigan. And then the grain moves on until it finally reaches the mill?

Mr. SINCLAIR. From the primary elevator.

Mr. McLAUGHLIN of Michigan. I do not care whether it is from the primary, or where, but it moves on until it is finally ground into flour?

Mr. SINCLAIR. Yes.

Mr. McLAUGHLIN of Michigan. Is there any place between this place and the mill where this foreign matter is removed?

Mr. McGOVERN. Not now; no, sir.

Mr. McLAUGHLIN of Michigan. That is done at the mill?

Mr. McGOVERN. Yes, sir.

Mr. KINCHELOE. And that is done by the mill. How is it done, by floating it in water, or by machinery, or how?

Mr. McGOVERN. The Fargo mill, which is about a 250-barrel mill, they run it over a sieve, and have brushes both below and above the sieve, as it runs over, and they have no trouble taking out the kingheads.

Mr. KINCHELOE. The kingheads would float if it was put in water?

Mr. McGOVERN. Yes.

Mr. CLARKE. What is the general practice?

Mr. McGOVERN. The big mills put it in water.

Mr. JACOBSON. The big mills want to add moisture before they grind it?

Mr. McGOVERN. Yes.

Mr. JACOBSON. And that is the reason they put it in water?

Mr. McGOVERN. Yes.

Mr. KINCHELOE. And at the same time they remove the kingheads?

Mr. McGOVERN. Yes.

Mr. McLAUGHLIN of Michigan. Can you tell us what the cost is of cleaning this wheat of the foreign substances?

Mr. McGOVERN. Practically nothing to the miller.

Mr. STEENERSON. Just explain that.

Mr. McGOVERN. For the simple reason that the machinery that is in operation to grind the flour is in operation to grind, and it, at the same time, will run the machinery to remove the kingheads. We do not pay anything for the cleaning of the grain in North Dakota, for the simple reason that they said they can clean it at the same time they grind it; the same power that would run the machinery to grind the flour would run the machinery for the removal of the kingheads. In fact, there is not much cost to this separation.

Mr. McLAUGHLIN of Michigan. Do all mills have practically the same process by which they clean this wheat; small and large alike?

Mr. McGOVERN. No, sir; the large mills in Minneapolis, and I assume in Chicago, would float that and wash it out. The smaller mills would separate it. As I said, the Fargo mills, they have brushes that run over and under the sieves and they separate it out.

Mr. McLAUGHLIN of Michigan. The smaller mills, at least, it would involve some expense to them to separate this?

Mr. McGOVERN. Some expense; it might be 1 cent a bushel, or maybe 2 cents.

Mr. McLAUGHLIN of Michigan. And when the country elevator buys this wheat, does the buyer know where it is going; to a large mill, or to a small one?

Mr. McGOVERN. No, sir.

Mr. KINCHELOE. What per cent of loss is this sample you have here?

Mr. McGOVERN. The first one?

Mr. KINCHELOE. What per cent of foreign substance is in that?

Mr. McGOVERN. Three and one-half per cent.

Sample No. 3 was brought from O.E. Christianson, at the Farmers' Elevator, Horace, N. Dak., June 3, 1921. It is a sample grade of dark northern wheat, 54 test weight, 4 per cent dockage, and has 6 per cent king-heads. Free from king-heads, it would grade No. 3 dark northern, 56 test weight. The difference in price between grade No. 3 and sample, I find to be in the sales at the terminal market, Minneapolis, 15 cents. On June 3, 1921, the average sale for No. 3 dark northern was \$1.51; the average sales for sample grade dark northern was \$1.36.

The farmer received 93 cents, or a loss of 33 cents for that wheat, as shown by this card that he bought wheat on. This is the grain bulletin card; all the country elevators use this market service.

Mr. TEN EYCK. What is your idea about that No. 2 wheat, the sample you have shown us; do you think that should be graded No. 1?

Mr. McGOVERN. I think all of the foreign material should be dockage; when you take the dockage out—

Mr. TEN EYCK (interposing). What was the grade?

Mr. McGOVERN. When you take the dockage out, it grades No. 2 dark northern wheat, 57.9 is the test weight; if you take this out—

Mr. GERNERD. How much would it take to get this dockage out?

Mr. McGOVERN. The cleaning process.

Mr. GERNERD. I understand, but how much in money would it cost the man who bought this wheat?

Mr. McGOVERN. I claim when it went through the mills it would cost practically nothing.

Mr. GERNERD. It must cost something.

Mr. McGOVERN. Why so?

Mr. GERNERD. They have got to get it out.

Mr. McGOVERN. The mills in North Dakota, they say it would not cost 2 cents a bushel. They run their fanning mills or separators at the same time they grind the flour, and I have never been able to get a definite figure on what it costs to clean this grain.

Mr. GERNERD. It must be something.

Mr. McGOVERN. But this man lost 46 cents. Call it 2 cents.

Mr. TINCHER. He could have got all of that out with a hand cleaner.

Mr. McGOVERN. He could have picked it out.

Mr. TINCHER. No; but with a \$75 or \$100 machine, he could have gotten it out.

Mr. CLAGUE. No; you could not do that. That is ridiculous; you could not think of that.

Mr. RIDDICK. The man should have spent more time cleaning his wheat and less time raising rubbish.

Mr. McGOVERN. You have to ask him the figures.

Mr. KINCHELOE. What would be the difference in samples 1 and 2 if they were both clean?

Mr. McGOVERN. If it was cleaned—

Mr. KINCHELOE. If No. 2 and No. 1 were both clean; those two samples; granting that they were both 100 per cent wheat, what would be the difference in the value?

Mr. McGOVERN. No. 1 would be \$1.37.

Mr. KINCHELOE. You mean \$1.37?

Mr. McGOVERN. \$1.37, yes; and No. 2 would be \$1.34.

Mr. KINCHELOE. This is a better grain, No. 1, than this [indicating]?

Mr. McGOVERN. How is that?

Mr. KINCHELOE. No. 1 is a better grain?

Mr. McGOVERN. It is that grain right there [indicating].

Mr. KINCHELOE. It is a better grain than No. 2; why is that difference in price?

Mr. McGOVERN. Well, the test weight of 58 pounds places it No. 1; and the test weight of 57 places it at No. 2, and they make that difference in price.

Mr. KINCHELOE. I see. That is what I was trying to get at, why the difference in price; it is the test weight?

Mr. McGOVERN. The test weight; yes, sir.

I show you sample No. 4 [exhibiting sample of wheat], bought of Mr. E. Fletcher, Mapleton, N. Dak., on April 20, 1921. It grades No. 5 dark northern, 55 test weight, 4.4 per cent of kingheads. Free from kingheads, it would grade No. 3 dark northern, 56.5 test weight. The difference in price between No. 3 dark northern and No. 5 dark northern on April 20, 1921, is 19 cents. That is the difference in the grades there. No. 3 dark northern was \$1.24, and No. 5 dark northern was \$1.05. The farmer received 77 cents for his wheat. There is a loss of 19 cents per bushel at the terminal market, and a loss of 27 cents at the market where the farmer sold it. That is according to

the grain bulletin card that the country elevator man uses. He received 77 cents; that was the card price on that day. He lost 27 cents because he had 4.4 per cent of kingheads in his wheat.

Mr. KINCHELOE. Why is there a greater spread to the farmer than there would be to the miller after it is cleaned?

Mr. McGOVERN. Well, there should not be. But I am telling you just exactly what the farmer receives at the country elevator. They buy on these card prices.

Mr. STEENERSON. They are bought on those grades.

Mr. McGOVERN. They are bought on the Federal grades.

Mr. GERNERD. May I ask you a question?

Mr. McGOVERN. Certainly.

Mr. GERNERD. The burden of your argument to-day is, if I catch, is that the farmer gets entirely too little for his product?

Mr. McGOVERN. Yes, sir.

Mr. GERNERD. Now, assuming that as your premise, what I am interested in is, How can that be obviated?

Mr. McGOVERN. Call this dockage; that is all we ask for; and the farmer would then receive the actual grade, and when he received the grade he would receive the price of the terminal market.

Mr. JONES. Would it not have this effect, that rather than bringing the price of the foreign matter up would it not bring it all down to that which contained the most foreign matter?

Mr. McGOVERN. No; because you can see when the miller buys that he pays more than is paid at the country elevator, because he knows he can take that out.

Mr. JONES. Who gets that difference?

Mr. McGOVERN. The man at the terminal market.

Mr. JONES. Who do you mean—the miller man?

Mr. McGOVERN. No; but he sells it to the speculator, such as the mixer. The mixer can take that and lose every bit of it, almost. He can lose practically all of it. He can buy a carload that has 40 per cent of kingheads in it and he can mix that with clean wheat, and he can lose that.

Mr. JONES. You mean a man who is just in the mixing business?

Mr. McGOVERN. A man who is in the mixing business.

Mr. GERNERD. Following up the question I asked you, What did the man get in the first sample?

Mr. McGOVERN. The one marked No. 1?

Mr. GERNERD. Yes.

Mr. McGOVERN. What did the farmer get?

Mr. GERNERD. Yes.

Mr. McGOVERN. Eighty-nine cents.

Mr. GERNERD. Now, what did the elevator man get when he sold it?

Mr. McGOVERN. Well, now, I have not got what the elevator man got, but I have got the same date, the sales for that grade.

Mr. GERNERD. What were the sales of that grade on that day? What did he get, according to those sales?

Mr. McGOVERN. It graded No. 5 dark northern under the Federal grades and sold for \$1.21.

Mr. GERNERD. Then he got the difference between \$1.21 and 89 cents?

Mr. KINCHELOE. The farmer got only 89 cents.

Mr. GERNERD. The first sample of wheat you showed here, what did the farmer get for it?

Mr. McGOVERN. 89 cents.

Mr. STEENERSON. That graded No. 5.

Mr. GERNERD. What I want to know is, What did the farmer get?

Mr. McGOVERN. 89 cents.

Mr. GERNERD. What did the elevator man get?

Mr. McGOVERN. I could not tell you, only according to the same grades—

Mr. GERNERD (interposing). What did the same grades on that day sell for?

Mr. McGOVERN. \$1.21.

Mr. GERNERD. You say so much should be for freight?

Mr. McGOVERN. Yes, sir.

Mr. GERNERD. Now, what I want to know is how much should the farmer have gotten on that.

Mr. McGOVERN. He should have gotten on the basis of \$1.62, which the wheat sold for, taking the king-heads out of there.

Mr. CLARKE. What would the actual difference be?

Mr. McGOVERN. The actual sales was \$1.62.

Mr. JACOBSON. They subtract the freight.

Mr. McGOVEEN. The freight was 11 cents per bushel.

Mr. SINCLAIR. It would be slightly less than \$1.51.

Mr. KINCHELOE. Yes; but that was for clean wheat, where he got only 89 cents for this with the foreign substances in it. When you take that foreign substance away you have less wheat, therefore it would not net him that much.

Mr. SINCLAIR. You add that up, and the dockage, and that is taken from it.

Mr. McGOVERN. I have it all figured out, and I am going to file this with the committee.

Mr. SIESMER. It is graded down, and the farmer gets paid for it according to the grade. The farmer takes in a load of wheat with 20 per cent of king-heads and gets paid for those king-heads. In other words, when the king-heads are taken out he does not get paid for the king-heads, but he gets a higher price for his wheat.

Mr. SINCLAIR. I never sold wheat that way.

Mr. KINCHELOE. Let me ask you a few questions. I am not mixed up in what I want to know. The first sample you showed, the farmer got 89 cents?

Mr. McGOVERN. Yes, sir.

Mr. KINCHELOE. Does that include the king-heads and the foreign substances in it?

Mr. McGOVERN. Yes, sir.

Mr. KINCHELOE. Then when the farmer had it and got that with the foreign substances in it, there is a greater volume of wheat—more pounds or more wheat?

Mr. STEENERSON. Under these grades the amount of foreign material is computed at $3\frac{1}{2}$ per cent, and that is not paid for.

Mr. McGOVERN. That is equal to 2.1 pounds per bushel. That is all figured out here. I have the figures right here. That would figure, with wheat at \$1.62 a bushel, that would figure \$1.56.

Mr. KINCHELOE. Is that a correct figure?

Mr. McGOVERN. Yes, sir.

Mr. KINCHELOE. Would there not be more than $3\frac{1}{2}$ per cent of foreign substance in this sample No. 1, notwithstanding it was figured at that?

Mr. McGOVERN. Three and one-half per cent equals 2.1 pounds per bushel.

Mr. SULLIVAN. Was that deducted?

Mr. McGOVERN. No; that is dockage.

Mr. SULLIVAN. I am asking you, in the settlement between the farmer and the man that bought it, was that deducted?

Mr. McGOVERN. No, sir.

Mr. KINCHELOE. If it was not deducted, there is a greater volume of wheat.

Mr. McGOVERN. Yes, sir.

Mr. TINCHER. Let me see if I understand this: Under the grades established by the Government, wheat with foreign material in it not only stands the dockage to the extent of the foreign matter, but is reduced in grade by reason of the foreign matter being in it?

Mr. McGOVERN. Yes; that is correct.

Mr. TINCHER. Now, what you propose to do, or this legislation proposes to do, is to take the man who brings in this wheat with the foreign matter in it—

Mr. McGOVERN (interposing). Yes.

Mr. TINCHER. They dock you so much by reason of that foreign matter?

Mr. McGOVERN. Yes, sir.

Mr. TINCHER. But the wheat being there, we do not depreciate your grade by reason of the foreign matter being in the wheat?

Mr. McGOVERN. That is it exactly.

Mr. TINCHER. Now, the Bureau of Markets that has established these grades and is contending that they are right—I suppose they have made some contention—they claim it is impossible to take all of this foreign matter out of this wheat?

Mr. McGOVERN. Yes, sir.

Mr. TINCHER. I suppose the first thing that they would claim would be that you, of necessity, lose some of the wheat in taking out the foreign matter?

Mr. McGOVERN. Yes, sir.

Mr. TINCHER. So it would be impracticable and incorrect to say that you could take this wheat that I am looking at and clean it and not be out anything except the slight expense of running the machinery in the mill while you are taking the foreign matter out?

Mr. McGOVERN. That would depend entirely on the test weight of your wheat; if that is down to 53 you might not lose anything; under 53 you might lose some.

Mr. TINCHER. Here is what I am looking at: I go out to the threshing machine to see how much dirt is in the wheat, and then I say to the threshing-machine man, "I want you to get that stuff out of there." And then if I am wise, I go around and see how much wheat he is putting out in the dirt, and then I have got to come to a compromise as to how much wheat I will put out with the dirt. I suppose, in fixing the compromise, there will some grain go through with the dirt.

Mr. CLARKE. With the lighter wheats, of course.

Mr. McGOVERN. The lighter the wheat, the more in proportion.

Mr. TINCHER. The only question is how much that could depreciate, and to what extent—

Mr. SULLIVAN (interposing). One thing I want to add, so that you will get our vision clearly. We contend that that ought to be graded for the wheat, and then add whatever foreign material there is in it to the extent of the foreign material in it, so that the buyer will not be deceived at all. That is the theory.

Mr. TINCHER. We have the grain grades fixed by the Bureau of Markets. Do you mean you want them to modify the grain grades that are in effect, not to the extent of saying that it shall depreciate the grade, or do you want the grade to be that they shall deduct the foreign material?

Mr. McGOVERN. We want the grade depreciated; we want the certificate to state the fact, if it has foreign material in it, the amount and percentage and character of the foreign material; that is, so far as the material is concerned.

Mr. TINCHER. That is the regulation now.

Mr. McGOVERN. No.

Mr. TINCHER. As to the character of the foreign material in it—

Mr. SIESMER. Inseparable foreign material. Hulled oats, you can carry some.

Mr. TINCHER. What do you do about rye? I remember having a fuss with the department about rye when they were classing it.

Mr. SULLIVAN. That is another proposition we are going to bring up later. They depreciate that now. And we will have some evidence to that effect later. What we want is a certificate to state the facts, and then the buyer can place his figure accordingly.

Mr. TINCHER. Let us see if we understand this. This is 57 pounds?

Mr. McGOVERN. Yes; we have put $3\frac{1}{2}$ per cent king-heads on that.

Mr. TINCHER. You mark the certificate No. 1, $3\frac{1}{2}$ per cent king-heads?

Mr. McGOVERN. Yes, sir.

Mr. JACOBSON. And 2 per cent wild peas.

Mr. SULLIVAN. Don't get too many things mixed up here; let us finish with one at a time.

Mr. TINCHER. No. 1, $3\frac{1}{2}$ per cent king-heads?

Mr. McGOVERN. Yes, sir.

Mr. TINCHER. Now, it is $3\frac{1}{2}$ per cent king-heads, the only thing that keeps it from being No. 1 wheat; you take out the $3\frac{1}{2}$ per cent king-heads, and it makes it No. 1?

Mr. McGOVERN. Yes, sir.

Mr. TINCHER. But it would cost a little to take that out?

Mr. McGOVERN. Yes; but the miller, and the men all along the line would know just what it was going to cost to make it No. 1.

Mr. TINCHER. You say the miller would know exactly?

Mr. McGOVERN. Yes.

Mr. TINCHER. That would depend entirely on how many grains of wheat would go out with the kingheads.

Mr. McGOVERN. He has had the experience of many years to tell him exactly what it would be.

Mr. TINCHER. That would depend, also, on the moisture of the wheat and a good many other things.

Mr. McGOVERN. Yes.

Mr. TINCER. I am getting at whether there is any merit at all in the Bureau of Markets saying they have got to reduce the grade of wheat for the foreign material.

Mr. McGOVERN. If our whole contention was adopted here and there was any foreign material beyond 40 per cent, that would be noted on the certificate.

Mr. TINCER. To go back to the farm; they can take out 90 per cent of that when they thresh, if the farmer is game and sees to it. And the only reason that the farmer is not game is the amount of wheat that is put out when the foreign matter is taken out. Now, he can not tell exactly how much it is injuring him to clean that wheat. Some days it will injure him more to take that out than it will other days.

Mr. O'NEILL. Isn't it a fact that at the rate they thresh spring wheat that it would be impossible to have the separation? You see them taking out one-third of the entire wheat that went through, at the speed at which it went through—four men throwing it in as fast as they can.

Mr. TINCER. I admit my inability to answer that. You plant your wheat, and the weeds come up with the wheat. Ours is a winter wheat. Our situation is a little different. I have my choice every threshing season how much wheat I will put out to get the dirt out. I suppose you have a talk with the threshing-machine man how much is taken out and how much is left in.

Mr. O'NEILL. They would throw you out of the field if you attempted it.

Mr. SULLIVAN. Mr. Chairman, it is because we recognize the very great differences between the thrashing and grading of winter wheat and those of spring wheat that we contend for the difference in regulations between spring and winter wheat.

Mr. TEN EYCK. Let me see if I understand this. You want it graded on what the wheat is?

Mr. SULLIVAN. Exactly.

Mr. TEN EYCK. And on your certificate state specifically the percentage of foreign material in each one of them?

Mr. SULLIVAN. Yes, sir.

Mr. TEN EYCK. And have them sold on that basis?

Mr. SULLIVAN. Yes, sir.

Mr. TEN EYCK. Now, if it is No. 4 wheat, you are willing to take a bigger percentage of loss on account of its losing more of the wheat when they clean it than you would with No. 1 wheat and cleaning it from its foreign material?

Mr. McGOVERN. That is it exactly.

Mr. TEN EYCK. And be paid on that basis?

Mr. McGOVERN. Yes, sir.

Mr. VOIGT. Senator Sullivan, I want to ask you a question on a point I am in doubt about here: Suppose a farmer in North Dakota takes a thousand bushels of wheat to the elevator and it has 10 per cent king-heads in it; now, when he is paid, is he paid for the 900 bushel or the 1,000 bushels?

Mr. SULLIVAN. I am not able to answer that myself, but he does go into the No. 5 grade.

Mr. VOIGT. I understand it is a cheaper price, but is he paid for 900 bushels or for 1,000 bushels?

Mr. McGOVERN. He is paid for 10 per cent; gets the 10 per cent of that dockage under the bill.

Mr. VOIGT. A lower grade of wheat?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. What is the rule now in respect to dockage before this law went into effect?

Mr. McGOVERN. Before the law went into effect?

The CHAIRMAN. Yes; you understand—

Mr. McGOVERN. Yes.

The CHAIRMAN. What are they doing now; I am not talking about the reduced prices?

Mr. McGOVERN. They take dockage and then reduce it because of the foreign material.

The CHAIRMAN. Then they take 10 per cent, if that is it?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. Are you for the dockage or not?

Mr. McGOVERN. I want this called dockage.

The CHAIRMAN. What was the rule before?

Mr. McGOVERN. If anything was taken out of the grain it was dockage; before the Federal grades—

The CHAIRMAN (interposing). Now, there is a lot of difference in dockage and degrading and reducing the price;

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. Now then, are you for dockage?

Mr. McGOVERN. I am for dockage.

The CHAIRMAN. And that was the practice before this law went into effect?

Mr. McGOVERN. Yes.

The CHAIRMAN. Are you against the hospitals, the places where manipulation of the grades take place?

Mr. McGOVERN. No; I don't know as I am.

The CHAIRMAN. I understood you to say these men were defrauded.

Mr. McGOVERN. They are defrauded by calling this foreign material that can not be separated.

The CHAIRMAN. Do they dock it or reduce the grade?

Mr. McGOVERN. They reduce the grade and also dockage.

The CHAIRMAN. They reduce the grade?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. They get paid for it, the same as good wheat?

Mr. McGOVERN. It degrades the grain, the foreign material does, and also takes the wheat down with it.

The CHAIRMAN. But does not reduce the price, does it?

Mr. McGOVERN. No, sir.

The CHAIRMAN. Then let us get this cleared up.

Mr. SULLIVAN. But for 3 cents worth of foreign material they cut you down 43 cents.

The CHAIRMAN. I want to get this matter cleared up. The farmer is paid for the dirt the same as for wheat?

Mr. McGOVERN. Yes.

The CHAIRMAN. But a lower price per bushel?

Mr. McGOVERN. Yes.

The CHAIRMAN. And you call that dockage?

Mr. McGOVERN. I want it called dockage.

Mr. SULLIVAN. Mr. Chairman, the first sample that was shown here—if you will permit me—

The CHAIRMAN (interposing). Let us get this straightened out now.

Mr. SULLIVAN. I think this will straighten it out.

The CHAIRMAN. Let me ask this witness.

Mr. SULLIVAN. The per cent of that will be 3½ per cent.

The CHAIRMAN. You are familiar with the report made by your committee appointed from your State of North Dakota, appointed by the Bankers' Association of North Dakota some years ago?

Mr. McGOVERN. Yes; somewhat.

The CHAIRMAN. In 1912, I believe.

Mr. McGOVERN. I read the report.

The CHAIRMAN. Let me call your attention to what took place there and see if it is any worse now than it was then. We find, according to that report, the amount of No. 1 wheat received at a certain elevator for three months was 99,711.40 bushels, and it shipped 196,288.30 bushels. They received of No. 2 wheat, 141,455.10 bushels, and shipped 467,764 bushels; of No. 3 they received 272,047.20 bushels, and shipped 213,459.30 bushels. They received of No. 4 wheat, 201,267.20 bushels, and shipped out none; they received of no grade, 116,021.10 bushels, and shipped out none; which goes to show that the lower grades of wheat were made into higher grades, and consequently a profit.

Mr. McGOVERN. That was not on account of the dockage, however, but changing the grades.

The CHAIRMAN. That was on account of manipulations and treating it.

Mr. McGOVERN. Yes; and taking the lower grade, the 53-test wheat, and mixing it with the 60-pound-test wheat, is the way they made it.

The CHAIRMAN. In short, they mixed up the lower grades with the higher grades and brought up the grades?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. That is what your people call attention to, then?

Mr. McGOVERN. We are not particularly interested in that process.

The CHAIRMAN. What do you propose to correct?

Mr. McGOVERN. We propose to call this foreign material dockage.

The CHAIRMAN. We want to know what system you suggest; are you in favor of the system you had before, or are you in favor of this, or do you suggest a new one or an improvement of both?

Mr. McGOVERN. I do not see how you can remedy that situation there. A man can take his light wheat and mix it with the heavy there at the terminal market. That is not on account of the dockage at all. That is on account of the test weight they can do that. They mix a light with a heavy wheat.

The CHAIRMAN. And they are doing that now?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. You have no suggestions as to that?

Mr. McGOVERN. No, sir; they do it at the country elevator.

The CHAIRMAN. What is it you want?

Mr. McGOVERN. I want this foreign material here that I am talking about called dockage.

The CHAIRMAN. You want the number of pounds deducted from the wheat?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. Did you have it under the State law before this law?

Mr. McGOVERN. We always bought it with the wheat.

The CHAIRMAN. I am talking about the weights?

Mr. McGOVERN. There was a dockage in Minneapolis; in Chicago there was not, on some of the grades.

The CHAIRMAN. What is the difference in the systems?

Mr. McGOVERN. The difference is that they never degraded the grain on the foreign material.

The CHAIRMAN. They docked it?

Mr. McGOVERN. Well, they docked it.

The CHAIRMAN. They docked the grain?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. They are docking it now?

Mr. McGOVERN. Yes; and they are docking this foreign material, and docking the grain.

The CHAIRMAN. Did they not dock it before on account of the foreign material?

Mr. McGOVERN. No, sir; they did not; that is a new proposition.

The CHAIRMAN. Are you in accord with the suggestions made here? As I understand it, it is not a certificate of grade you asked for, but a bill of particulars.

Mr. McGOVERN. That is what we call a certificate.

The CHAIRMAN. You want the two?

Mr. McGOVERN. We want the buyer to know what he is buying.

The CHAIRMAN. Has that ever been tried out in any system?

Mr. McGOVERN. I do not know that it has.

The CHAIRMAN. It is entirely new matter, is it?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. This is a new suggestion?

Mr. McGOVERN. We never had this before we had the Federal grades.

The CHAIRMAN. I am trying to find out where you have been wronged by this system of grading.

Mr. McGOVERN. Just as soon as the Federal grades placed this foreign material—

The CHAIRMAN (interposing). I understood you to say they are doing exactly as they did before, and you are now suggesting something new. In what respect have you been wronged?

Mr. McGOVERN. I think you did not understand me; did you? They did not grade the grain down on account of foreign material. Now they are grading it down on account of the foreign material.

The CHAIRMAN. And docking it at the same time?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. I understood you to say they were not.

Mr. McGOVERN. You misunderstood me. They dock the grain and grade it down because of the foreign material, both, and they never did that before we had these Federal grades established.

The CHAIRMAN. That is different. I did not understand you to say that before. They simply dock the number of pounds?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. And pay for the weight less dockage?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. Minus the foreign material?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. Your contention is that they are now not only docking the difference in the number of pounds—

Mr. McGOVERN (interposing). Yes.

The CHAIRMAN. Also reducing the price?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. Because of the lesser quality?

Mr. McGOVERN. Yes; and that shows right on sample No. 1. The difference at the terminal market, if you notice—the difference between the price at the terminal market and the price paid was 35 cents a bushel. The farmer lost, however, 41 cents a bushel.

Mr. CLARKE. Are the laws on grading of North Dakota, South Dakota, and Minnesota uniform?

Mr. McGOVERN. We adopted the Federal grades in North Dakota; we all work on Federal grade.

Mr. CLARKE. Whether it is interstate or intrastate?

Mr. McGOVERN. It is all interstate.

Mr. TINCHER. I want to finish one thing with you: The thing the committee has to do here is to determine whether they will recommend a bill.

Mr. McGOVERN. Yes.

Mr. TINCHER. As I understand it, if Mr. Sinclair and I drove up to your elevator with each a load of wheat, the same as sample No. 1 that you showed us here—No. 1 hasn't any foreign material in it, we will say for the sake of illustration, and that the elevator man would pay \$1.13 for that wheat; and under this bill he would pay \$1.13 for the wheat, because it is that grade of wheat, but he would take off the dockage of 3 per cent, say?

Mr. McGOVERN. Yes.

Mr. TINCHER. Now, let us see if there is any merit in the Bureau of Markets saying that not only will he do that, but he will take off the grade of that wheat because of the foreign matter.

Mr. McGOVERN. Yes.

Mr. TINCHER. I have laid out on this little paper here 12 grains of wheat and 12 parcels of foreign matter. Before that wheat is as good as other wheat somebody has to take out the 12 foreign parcels.

Mr. McGOVERN. Yes.

Mr. TINCHER. Is there any machinery by which they can do that, or is it a fact that they have to take out, in order to get the foreign matter out, a quantity of wheat?

Mr. McGOVERN. As I stated to you, down to 53 test weight, they would not lose anything on that. Below that, they would lose some. We make a difference in North Dakota.

Mr. JACOBSON. I would like to answer that. We have in Minneapolis the hospital elevators where we take out the kingheads, cockle, rye, barley, and flax and charge so much; and the reason we would like to have on the dockage what kind it is, especially in North Dakota, there is flax coming in that is higher priced than the wheat; and wild peas, and mustard, and that is high-priced, and it is graded down because of this foreign material being in the wheat; it is graded

down, and the fact is, gentlemen, whoever gets the wheat, he gets all of that higher priced foreign material for nothing.

Mr. TINCER. Here is the man who is buying these two loads of wheat; he is buying them and paying for them; if we have a law on the subject at all, of course, he has got to have some fixed grades to go by. My friend here is testifying on Mr. Steenerson's bill, and the dockage would be the foreign material. And you are asking the Secretary of Agriculture, who has authority under the law to make the grain standards, to do that, and through the advice of the Bureau of Markets he has declined to do that. What this committee wants to do before we say to the Secretary of Agriculture that he should do it, is to get down to brass tacks and say he would be warranted in doing it. I am wondering whether there is any method that would take out the 12 parcels of foreign matter and leave that wheat?

Mr. JACOBSON. During 1918 the Washburn-Crosby Co. shipped out 18 carloads of this material, what they call dockage, and that was high in the war times; and that is the reason why it should be on the certificate what is in the wheat, because then the elevator man must pay for it; and then they have to put it on the certificate how much foreign material is in it, and what kind of foreign material.

Mr. TINCER. Of course, the elevator man has to have some standard by which he pays for this wheat. It does not mean that the grade fixed by the Secretary of Agriculture is limited by the grades fixed by this bill. There are two grades.

Mr. JACOBSON. The hospitals used to charge 2 cents for cleaning the wheat, and they also used to charge 2 cents a bushel for drying the wheat. When a carload came in, on account of the high moisture, they would put it into the hospital and dry that wheat, and they would charge 2 cents a bushel for that. Now, remember, gentlemen, any grain that contains over 16 per cent moisture will shrink somewhat in drying, so, of course, you can not get out of that car as much as you put in it. But that is the way it is handled.

Mr. TINCER. I will say to you, there is not so much difference in localities as you might think, when you come to think over it. When you fix the grades, they will throw a lot on the straw pile, in order to get the wheat clean, or they will leave the weeds in it.

Mr. McGOVERN. I want to call your attention to the sample No. 5. I want you to look at that sample carefully and see what it does to the farmer; we are talking about the farmer. That sample was bought from W. S. Lowman, Fargo, N. Dak., on April 25, 1921. It grades No. 5 dark northern, $57\frac{1}{2}$ test weight; that is, in the dirt, just as it came from the machine. It has $3\frac{1}{4}$ per cent kingheads. Free from the kingsheads it grades No. 1 dark northern, 58.2 test weight. The difference between No. 5 dark northern and No. 1 dark northern on April 25, 1921, is 47 cents. Don't you think that that wheat could be washed and dried for less than 47 cents? Now, let us see what the farmer got at the market. He got 77 cents a bushel for that wheat, but he lost 47 cents per bushel. That is what that farmer got for the wheat. There is the best wheat in the world for flour, for the simple reason that it is raised in North Dakota, and wheat raised in North Dakota can not be excelled. There is not a wheat or flour in the world that excels that.

The CHAIRMAN. What was the dockage on that wheat?

Mr. McGOVERN. Three and a half per cent for kingheads. He did not give me the dockage. If there was any dockage in it, such as wild oats, it was degraded, and it was called No. 5 quality, and it should have been No. 1, but on account of the kingsheads—

The CHAIRMAN (interposing). I understood you to say awhile ago that the dockage applied.

Mr. McGOVERN. There can be no dockage; in oats—

The CHAIRMAN (interposing). What is the dockage?

Mr. McGOVERN. Three and a half per cent kingheads.

The CHAIRMAN. Is that dockage?

Mr. McGOVERN. Not under the Federal law.

Mr. STEENERSON. That is what I thought they misunderstood. The Federal rules hold that inseparable material is not dockage. But such as kingsheads, the inseparable material, is penalized.

The CHAIRMAN. It is degraded, instead of the docked?

Mr. McGOVERN. Yes; but you get degraded because of the kingsheads.

Mr. STEENERSON. The experience we give is that it can be taken out, therefore do not punish him \$970 a car.

The CHAIRMAN. To illustrate: Here is 1,000 bushels of wheat—No. 1 wheat; we throw in 100 bushels of dirt; do you mean to say that will be docked 100 bushels, and also docked in price?

Mr. McGOVERN. No, sir.

Mr. STEENERSON. The separable material is dockage, but the inseparable material is not dockage.

The CHAIRMAN. You have 100 bushels of dirt there, separable material.

Mr. STEENERSON. You must say whether it is separable or inseparable.

The CHAIRMAN. I said separable.

Mr. STEENERSON. You put the 100 bushels in?

The CHAIRMAN. Yes; do you pay for the dirt?

Mr. STEENERSON. If it is inseparable material, it degrades the wheat and deducts from the total.

The CHAIRMAN. Do you mean to say they pay for the dirt?

Mr. STEENERSON. For inspearable material; you call it dirt.

The CHAIRMAN. I don't care what you call it.

Mr. STEENERSON. Dirt is not inseparable material. The dirt can be taken out by a fanning mill. It seems to me you are trying to make a distinction that does not exist. The rules provide that all separable material shall be dockage; dirt is separable material and rye is not separable material; rye is an inseparable material.

The CHAIRMAN. Do they pay him for the dirt?

Mr. STEENERSON. If it is dirt, that is separable.

The CHAIRMAN. Then, they do not pay him for it?

Mr. STEENERSON. No; they do not pay him; if it is 3 per cent dirt, they deduct that from the total weight and pay him for the balance.

The CHAIRMAN. Let us put it in another way: We have 1,000 bushels of wheat which contain 100 bushels of sand.

Mr. McGOVERN. That is good.

The CHAIRMAN. That is separable. Does the farmer get paid for the 900 bushels or the 1,000 bushels?

Mr. McGOVERN. No, sir; he is paid for the wheat.

The CHAIRMAN. And also reduce the price?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. They pay him for No. 1 wheat?

Mr. McGOVERN. No; if it is not inseparable material, they pay him.

The CHAIRMAN. I said sand?

Mr. McGOVERN. Oh, sand?

The CHAIRMAN. Yes.

Mr. McGOVERN. Of course, they pay whatever it is graded.

The CHAIRMAN. It is graded No. 1 when separated; what would it be graded when mixed?

Mr. McGOVERN. Simply 100 pounds difference.

The CHAIRMAN. I know; but what is the grade?

Mr. McGOVERN. It would not take the grade; nobody claims that.

The CHAIRMAN. You do not object to them deducting the dirt, do you?

Mr. McGOVERN. No.

The CHAIRMAN. Then what is wrong with this system?

Mr. STEENERSON. The theory that kingheads and wild peas are inseparable is unjust, because with modern machinery they will take them out. There is no justice, for instance, when wheat has $3\frac{1}{2}$ per cent of wild peas in a carload, that is clean otherwise—there is no justice in penalizing that man \$470 on that car, when you can take that out—you have 35 bushels of it in the wheat, and you take that out for 2 cents a bushel, and yet you penalize that man \$470.

The CHAIRMAN. Why do they make a difference between the separable and inseparable?

Mr. McGOVERN. That is what we want to know.

Mr. STEENERSON. Because the grades were made when you thought you could not separate it.

The CHAIRMAN. Is that injurious to the flour?

Mr. STEENERSON. A large quantity would be; a small quantity would not be. It would affect the color of the flour.

The CHAIRMAN. Then you admit there should be some deduction?

Mr. McGOVERN. We say it can all be taken out.

The CHAIRMAN. You say it is inseparable.

Mr. STEENERSON. No; we say it is separable.

The CHAIRMAN. Yes.

Mr. McGOVERN. We are examining sample No. 5. That, as it now is, grades No. 5 dark northern, $57\frac{1}{2}$ test weight, with $3\frac{1}{2}$ per cent kingheads. If it was free from kingheads, it would grade No. 1 dark northern, 52.2 test weight; the difference between No. 5 dark northern and No. 1 dark northern on April 25, 1921, the day this wheat was sold, is 47 cents. No. 1 dark northern was \$1.59; No. 5 dark northern was \$1.12. The loss on account of $3\frac{1}{2}$ kingheads, 47 cents per bushel. The price I gave was the price on the Minneapolis market. The loss to the farmer—what did the farmer get? The elevator man that bought from that farmer paid him 77 cents for that wheat, as No. 5 wheat, that I showed you, and there was a loss of 42 cents per bushel.

Mr. TINCER. You claim this material is separable?

Mr. McGOVERN. Yes; it can be cleaned out; it is cleaned out.

Mr. TINCER. And you claim that if this was cleaned out that makes this wheat equal to a good Kansas or Oklahoma wheat, and would make good flour.

Mr. McGOVERN. I hesitate to say anything about that, because there may be some Oklahoma men here.

Mr. SIESMER. What would be his loss if that was called dockage?

Mr. McGOVERN. It would be a gain of 41.4 cents to the farmer.

Mr. SIESMER. It would be a gain, if this change was made, of 41.4 cents a bushel to the farmer?

Mr. McGOVERN. Yes; the producer would receive, if the kingheads or foreign material other than cereal grains would be considered as dockage—3.5 per cent kingheads, equal to 2.1 pounds, and that deducted from 60 pounds per bushel, leaves 57.9 pounds per bushel—57.9 pounds at \$1.59 per bushel, equals 3.89 cents per pound, or \$1.534, and the price received with the kingheads is \$1.12, or a loss to the producer of 41.4 cents. I have these figures here, and I will file these with you.

The CHAIRMAN. And you say that can be separated?

Mr. McGOVERN. I have the man right in our town who can separate it, and who made the flour; I have a sample of the flour that he makes from it. Here is a sample of the flour that he makes [exhibiting sample of flour].

The CHAIRMAN. Without objection, the committee will stand on recess until 2.30 o'clock this afternoon.

(And thereupon, at 12 o'clock and 40 minutes p. m., the committee stood on recess until 2.30 o'clock p. m. of the same day.)

AFTER RECESS.

The committee reconvened, pursuant to recess, at 2.30 o'clock p. m., Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. The committee will come to order. You may proceed with your statement, Mr. McGovern.

STATEMENT OF A. A. McGOVERN—Resumed.

Mr. McGOVERN. I will proceed with the definition of dockage and foreign material, according to the Federal grades. Dockage, under the Federal grades, is sand, straw, stems, wild oats, mustard seeds, and chaff, and wheat seeds, along that line.

The CHAIRMAN. But no allowance is made for that which has no value?

Mr. McGOVERN. That is what they say is dockage. I have not enumerated all of them. But that is a part of it. Now, they say that inseparable material, foreign material, is corn cockle, wild peas, kinghead, wild rose, darnell. They claim that that is inseparable, while we claim it can be separated, and is separated.

The CHAIRMAN. Are either of them of any value in the manufacture of flour?

Mr. McGOVERN. Well, the wild peas I would not put into a flour, but we put it into a feed; we put most of that stuff into a feed.

The CHAIRMAN. Manufactured feed?

Mr. McGOVERN. Yes. The wild peas would go into perhaps other by-products and would be sold as such. I am not acquainted with wild rose or darnell, because I do not have that up in my country.

Mr. SINCLAIR. Now let us get it clearly in the record as to the practical operation of the grading of this grain.

The CHAIRMAN. Yes; but find out about the value. Has it any value whatever?

Mr. SINCLAIR. Wheat that has only what we call dockage, that is separated and taken from the gross weight when you sell, is it not?

Mr. McGOVERN. Yes, sir.

Mr. SINCLAIR. Wheat that has both dockage and what you have termed "inseparable material" also, the dockage is taken from the gross weight, but the inseparable material is not taken from the gross weight when you sell?

Mr. McGOVERN. That is correct.

Mr. SINCLAIR. But the inseparable material knocks down your grade one, two, or three grades, depending on the percentage of inseparable material?

Mr. McGOVERN. Yes, sir. Now the foreign material, according to the grades: Number 1 will carry one-half per cent of foreign material. This is what they call the inseparable material. No. 2 carries 1 per cent of foreign material other than dockage. No. 3 will carry 2 per cent. No. 4 will carry 3 per cent, and No. 5 will carry 5 per cent of foreign material.

Mr. SINCLAIR. Now I guess we have that straightened out, Mr. McGovern.

Mr. McGOVERN. Now along that line I want to say for the record, that the land in close proximity to the Red River raises kinghead, wild peas, and cockle. While the farmers have tried in every manner to cultivate this land to eradicate this noxious weed, they have not been successful.

The total acreage of this land is approximately 1,506,766 acres on the North Dakota side of the river. The year 1919 wheat crop was 15,919,911 bushels on this land. The average loss is three grades on account of this foreign material. Fifteen cents per bushel (as shown by Grain Bulletin card price) would be \$2,387,985.75. I am using the Grain Bulletin card price instead of the prices that I have given you, and that will give you 15 cents a bushel. Had I used the other; that is the actual sales that I was talking about, it would average 20 cents a bushel, but I am only using 15 cents as a loss to those farmers that raised that wheat in that valley, and as I said, that amounts to \$2,387,985.75.

Now that is only on the North Dakota side. They are in the same condition on the Minnesota side, as I understand it, although I am not familiar with the Minnesota side of the river. But I am familiar with the counties that I mentioned here, commencing at Pembina, and going down to Walsh, Grand Forks, Traill, Cass, and Richland Counties—six counties—I am familiar with the condition in those counties. I see that grain every year. I have been chief deputy grain inspector there for four crops, and I know what they raise there. There is hardly a bushel that is hauled to these elevators but what they have kingheads or cockle or the wild peas.

Mr. C. N. BENDIXEN. Is that one year's loss, Mr. McGovern?

Mr. McGOVERN. That is one year's loss.

Mr. BENDIXEN. The figures you just gave?

Mr. McGOVERN. Yes. I am taking the Government report for the acreage and the bushels of grain, which I believe to be correct.

The CHAIRMAN. Now, what do you suggest to overcome that, Mr. McGovern?

Mr. McGOVERN. Well, the farmers certainly can not get rid of that kinghead or those wild peas.

The CHAIRMAN. No; but how do you propose to overcome it, by grading?

Mr. McGOVERN. We are asking that this be called a dockage, that this kinghead and wild peas be called a dockage. That is what this bill is.

The CHAIRMAN. The number of pounds to be deducted from the gross weight?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. Well, what do you expect to get for that then? Just throw it in?

Mr. McGOVERN. We expect that this grain shall be docked instead of graded.

The CHAIRMAN. I see.

Mr. McGOVERN. And thereby saving a part of this loss anyway.

Mr. SINCLAIR. You also expect that if the dockage is valuable the farmer is entitled to be paid for that dockage, less the expense of separation?

Mr. McGOVERN. Well, in North Dakota we compel them to pay for the dockage now. We have for the last year compelled them to pay for the dockage; that is, dockage that is valuable. We say that there dockage here that is valuable. We say that wild oats are valuable. Somebody spoke of the amount of mustard seed, but I want to say that during the year 1918 mustard seed sold for as high as \$80 a ton.

The CHAIRMAN. Well, now, has that worked out, about compelling the payment for dockage?

Mr. McGOVERN. Why, it has worked out fine, Mr. Chairman.

The CHAIRMAN. It has worked out all right?

Mr. McGOVERN. It has worked out first rate; yes, sir.

The CHAIRMAN. So that now you get the grade that you consider you are entitled to and also pay for the foreign matter?

Mr. McGOVERN. We compel them to pay for the dockage at the market value, or return it to the farmer, the owner of the grain. He can take his choice. The law is intended that he should take the dockage, grind it, and feed it to his live stock. That is the intent of that law in North Dakota.

I now turn to sample No. 6, and I would like to have you look at this grain. The Federal grade requires that we have 75 per cent of hard, vitreous kernel. Now, there was a gentleman who sat over on the other side this morning—

Mr. SINCLAIR (interposing). But unfortunately he is absent now, Mr. McGovern.

Mr. McGOVERN (continuing). That questioned out grades in regard to this grain. Seventy-five per cent of dark, hard, vitreous kernel would be a kernel like the one I hold in my hand, glassy color. It would be just as proper to say glassy as it would be to say vitreous. It is of a glassy color, a dark, glassy color.

And now you see this light-colored berry which I hold in my hand; that is a white berry. That is starch. That is a starchy kernel. I would like to have you examine that No. 6. This was bought of Hernes & Pinkham, August 24, 1920; grades, sample dark northern. It tests 56½ pounds, has 8 per cent dockage and 5.6 per cent of king-

heads. Now, that is a sample that had dockage of 8 per cent, as well as the 5.6 per cent of kingheads.

Now, free from kingheads that same sample you are looking at grades No. 1 dark northern, 58.3 test weight. The difference in price at the terminal market was 27 cents.

No. 1 dark northern sales on that date was \$2.47. That was in 1920.

Sample dark northern sales was \$2.20.

Now, what did the farmer get on his card? He got \$1.78; in other words he lost 40 cents. Loss on account of kingheads, 27 cents per bushel at the terminal market; and loss to the farmer at the local elevator where he sold his grain, 40 cents per bushel. And there is that difference, and that loss to the farmer for the reason that the farmer received the Federal grade. The miller who bought that grain bought it as a sample.

Now, this is the analysis:

What producer would receive if kinghead was considered dockage:

5.6 per cent equals 3.36 pounds per bushel.

60 minus 3.36, equals 57.64 at \$2.47, equals \$2.33.

Price received with kinghead, \$2.20.

Gain to producer per bushel, 13 cents.

Sample No. 7: Grades No. 3 dark northern, 58.5 test weight, 1.1 per cent kingheads and wild peas. Now that is a pretty small per cent.

Free from kingheads and wild peas, grades No. 1 dark northern, 59 test weight.

Difference in price at terminal market, Minneapolis, between No. 1 dark northern and No. 3 on the 3d day of June, 1921, was 20 cents per bushel, as shown by the sales on that date. The farmer received \$1.26 for that grain, according to the card. The farmer loses 20 cents per bushel on this sample on account of having 1.1 per cent kinghead and wild peas. The loss to the farmer at the country elevator is 20 cents per bushel. See card, June 3, 1921, Horace Farmers Elevator. The freight rate is the same as Argusville.

Analysis.—What producer would receive if foreign material other than cereal grain was considered as dockage:

Problem.—1.1 per cent wild peas, equals approximately 0.7 pounds per bushel.

60 minus 0.7 equals 59.3 pounds at \$1.83, equals \$1.807.

June 3, 1921, price paid for No. 3 D. No. S., \$1.51.

Gain to producer per bushel 29.7 cents.

Sample No. 8: Grades No. 3 dark northern, 57 test weight, 13 per cent dockage, and 1.3 per cent cockle and wild peas. Free from cockle and wild peas, grades No. 2, dark northern. Difference in price between No. 2 dark northern and No. 3 dark northern on the 2d day of June, 1921, as shown by the sales at Minneapolis, is 12 cents per bushel. And that is just on account of having 1.3 per cent of cockle and wild peas.

The farmer received \$1.27 at the country elevator.

Analysis.—*Problem:* 1.3 per cent equals approximately 0.8 pounds per bushel.

Sixty minus 0.8 equals 59.2 pounds, at \$1.66 per bushel, equals \$1.638.

June 2, 1921, price paid for No. 3 dark northern, average terminal, \$1.50.

Gain to producer per bushel, 13.8 cents.

Sample No. 9: J. O. Hoff, owner, Abercrombie, N. Dak.

Grades No. 4, dark northern, 58 test weight, 4 per cent dockage, 2.3 per cent cockle and wild rose. Free from foreign material, grades No. 2 dark northern, 57.8 test weight.

Difference in price at the terminal market as shown by sales on the 7th day of June, 1921, was 36 cents. The farmer received \$1.11. Nineteen cents difference.

Analysis.—Problem: 7.3 per cent equals approximately 1.4 pounds per bushel.

Sixty pounds, minus 1.4, equals 59.6 pounds, at \$1.62 per bushel, equals \$1.582.

June 7, 1921, price paid for No. 4 dark northern, average terminal, \$1.36.

Gain to producer per bushel, 22.2 cents.

Sample No. 10: Grandin Farmers' Elevator Co., Grandin, N. Dak.

Grades No. 3, dark northern, 57 test weight, 1.3 per cent kingheads and wild peas.

Free from foreign material, grades No. 2, dark northern, 57 test weight.

Difference between No. 2 and No. 3 on the 9th day of June, 1921, as shown by sales at terminal market, Minneapolis, was 12 cents per bushel. The farmer received \$1.24, or a loss of 10 cents per bushel on account of 1.3 per cent of kingheads and wild peas.

Analysis.—1.3 per cent equals approximately 0.8 per bushel.

Sixty pounds, minus 0.8, equals 59.2 pounds, at \$1.61 per bushel, equals \$1.588.

June 9, 1921, price paid for No. 3 dark northern, average terminal, \$1.53.

Gain to producer, per bushel, 5.8 cents.

Now, these are not made-up samples. I was accused, when I was here at the meeting before the Secretary of Agriculture, of making up a sample according to the Federal grades, which I did. These are actual samples taken from farmers' wagons before they were dumped, or at the time they were being dumped and sold at the elevators. And the prices that were paid by these cards are the prices the farmers received. The sales as I give you at the terminal market are the actual average sales at the terminal market.

Sample No. 11: The owner of that wheat was William Anderson, Grandin, N. Dak.

Grades No. 4 dark northern, 58 test weight, 2 per cent dockage, 2.1 per cent kingheads. Free from foreign material, grades No. 1 dark northern, 59 test weight.

Difference in price as shown by sales at terminal market, Minneapolis, between No. 1 and No. 4, on the 9th day of June, 1921, was 36 cents per bushel.

Analysis.—Two and one-tenth per cent equals approximately 1.3 pounds per bushel.

Sixty pounds, minus 1.3, equals 58.7 pounds, at \$1.75 per bushel, equals \$1.722.

June 9, 1921, price paid for No. 4 dark northern, average terminal, was \$1.34.

Gain to producer per bushel, 37.2 cents.

I now show you sample No. 12: Farmers Grain Co., Grandin, N. Dak.

Grades No. 4 northern, 57.5 test weight, 2.9 per cent kingheads.

Free from foreign material, grades No. 1 northern, 58 test weight.

Difference in price, as shown by sales at the terminal market at Minneapolis, on April 7, 1921; No. 1 northern, \$1.62; No. 4 northern, \$1.42—a difference of 20 cents. On that date for the No. 4 northern the farmer received \$1.01.

Test weight, 57.5, 4 per cent of foreign material. Loss of 20 cents on a bushel on account of 2.9 per cent of kingheads.

Analysis.—What producer would receive if kinghead was considered dockage:

Two and nine-tenths per cent equals 1.74 pounds.

Sixty pounds, minus 1.74, equals 58.26 pounds.

Fifty-eight and twenty-six hundredths pounds, at \$1.62 per bushel, or 2.7 per pound, equals \$1.573.

Price received with kinghead, \$1.42.

Gain to producer if kinghead was considered as dockage, per bushel, 15.3 cents.

That is the last sample that I will show.

I have a sample of the flour, and we have a sample of the bread into loaves with us. The miller will explain how he milled this made wheat from these samples and how the bread was made. And so I will not go into that. But we have the samples of flour that was made from that wheat. And we also have samples of flour from a mill at Fargo, and we also have a sample of the flour that was made at Drake by the State of North Dakota mill that the other samples can be compared with, and we also show you that the millers of North Dakota buy grain with kingheads in.

Now, why do they do it? They are not bothered with cleaning and separating.

We grade most of the grain that comes in carloads to Fargo, I think probably every car. I will give you a few samples.

The North Dakota Grain Inspection Department has samples of wheat from the Fargo Mill Co., located in Fargo, N. Dak. Said wheat graded as follows:

June 13, 1921: Grade No. 4 dark northern, 57.8 test weight, 4 per cent dockage, 2.5 per cent kinghead. That went to a mill.

June 3, 1921: Bought of Opper Dobring, Osgood; car No. 35235; grade No. 3 dark northern, 58.5 test weight, 5 per cent dockage, 1.4 per cent kingheads. That went to a mill.

March 17, 1921: Bought of Nab Martin; car No. 26358; grade No. 5 dark northern, 54 test weight, 9 per cent dockage, 0.4 per cent kingheads. That went to a mill.

April 2, 1921: Bought of Peter Barnett, Newman; car No. 15674, Great Northern; grade No. 1 dark northern, 59 test weight, 7 per cent dockage, 0.4 per cent kinghead.

April 8, 1921: Bought of Peter Barnett; car No. 122885, Great Northern; grade No. 3 northern, 55.5 test weight, 11 per cent dockage, 0.5 per cent kingheads.

April 30, 1921: Bought of W. J. Olson & Son; car number not given; grade No. 4 dark northern, 55 test weight, 6 per cent dockage, 3.3 per cent foreign material.

May 20, 1921: Sample grade northern, 52 test weight, 14 per cent dockage, 7.5 per cent kingheads. That wheat went to a mill and was ground into flour. And he saw the sample before he unloaded the car and knew what it graded before the car was unloaded, and that has 7.5 per cent of kinghead.

August 27, 1920: Grade No. 3 dark northern, 58 test weight, 4 per cent dockage, 1.8 per cent kingheads.

September 1, 1920: Grade sample northern, 49 test weight, 5 per cent dockage, 8 per cent kingheads. That went to a mill and was ground into flour.

April 25, 1921: Baldwin Flour Mills, Oakes, N. Dak.; car No. 37930, Northern Pacific; grade No. 4 dark northern, 54 test weight, 9 per cent dockage, 3 per cent foreign material.

I believe that that is all I care to say, Mr. Chairman. I have nothing more to say further than we would like to have this plain, that we are asking that this so-called foreign material be called dockage, and that it be placed on the grain certificate. It will not deceive anybody. The man who buys that buys a car of wheat, and on his certificate it shows what it contains as dockage. Let it be 1 per cent in kingheads, or 4 per cent or 10 per cent in kingheads, whatever it may be, it shows on the certificate, and that is all we are asking for. That is one of the things, so far as foreign material is concerned.

Mr. SINCLAIR. Now, Mr. McGovern, it will be and is contended, you know, that when this separation into two classes of dockage is made that it is inseparable. What proof have you, or can you give any proof to the committee, that foreign material which is so classed can be separated by mills, and is so being done without too much loss?

Mr. McGOVERN. Well, I have not such a great lot of experience along that line. I might say this, that I was the manager of the State mill at Drake until a very short time ago, and we received many carloads that had kingheads. We were never bothered with getting the kingheads into our flour. We separated it down to such a small point that it did not show, nor did it injure the flour. I have been in the Fargo mill, which is a 150-barrel mill, where they manufacture probably as good flour as they manufacture in the United States, because they manufacture North Dakota wheat, and they make a good flour.

The CHAIRMAN. How did they separate it?

Mr. McGOVERN. They run it over two separators; they used two separators. They have brushes that run over the top of the sieves and under the sieves just simply to keep this foreign material, or kingheads, that we are talking about moving along, dropping off, and the wheat goes through. And they have no trouble about grinding this wheat in those small mills. We do not have any trouble out at Drake. And we buy that wheat and pay no attention to the kingheads.

Mr. SINCLAIR. Well, what additional expense would that be? What would you estimate the expense would be, Mr. McGovern?

Mr. McGOVERN. I would not estimate it at over 2 cents a bushel. That is a big estimate, to pay 2 cents a bushel.

Mr. SINCLAIR. And is there any loss of wheat by the process of separation?

Mr. McGOVERN. Well, I would say that down to 53 pounds there would be no loss. We do not find any loss whatever at the small Drake mill. And we have a mill of 125-barrel capacity, and we found no loss until we got down to 52 or 53 pounds, and then we found that then there would some wheat run over.

Mr. SINCLAIR. Then in your opinion there is no reason for having this so-called line of demarcation between the two kinds of dockage?

Mr. McGOVERN. No, sir.

Mr. SINCLAIR. They all could be classed for practical purposes as one dockage?

Mr. McGOVERN. Yes, sir. I think that is the most outrageous thing that was ever perpetrated on the farmers of this country, all these Federal grades that they are establishing. I have been in the grain business for over 45 years. I was raised in the grain business, commencing when I was not over 14 or 15 years old, and I have been in the grain business all the time; and I say that this is the most outrageous thing that has ever been done to the farmers. I don't think that you will find anything that is equal to the Federal grades as a cause of loss to the farmers of this country. You talk about your hail, and your drought; you talk about worms and bugs, and all those things, but these Federal grades have taken more money out of the farmers' pockets than any of those things. And I do not understand how the Bureau of Markets would insist that these grades should stand as they are. I can't understand those things.

The CHAIRMAN. But the movement for the Federal grades initiated in North Dakota, did it not?

Mr. McGOVERN. It initiated in this way: The farmers of the northwest country wanted the Federal Government to standardize grain and grade grain. They asked for the Federal grade. I am very familiar with those resolutions; that is, the farmers' resolutions. They asked that the Federal Government furnish men to grade grain, as well as standardize it and promulgate grades, but they never dreamed for one minute that the Federal Government would put such grades onto them as that. The farmers had more confidence in their Government than that. They never thought that men would be selected that would have caused the grades that they did cause. They supposed that the farmers of this country would have some say in making those grades. They have nothing to say. The men who made those grades would not listen to the farmers of this country. They held their meetings all right, but just as it was said here by some gentleman here, it was satisfactory to the grain trade, but the farmers never made these grades. Mr. Shanahan admitted that he was responsible for the grades. Mr. Brand said that the grades were satisfactory to the grain trade and were satisfactory to him. But the farmers never made these grades. They are not responsible for them.

The CHAIRMAN. Well, it would not improve the situation by having the grain graded by the Federal Government instead of supervision of grading?

Mr. McGOVERN. Well, no; if they furnish such men as are now in the Bureau of Markets there would be no improvement whatever. We expected that the farmer would stand some show to get what would be satisfactory to him anyhow.

The CHAIRMAN. You have taken this up with the experts in the department, with those who are responsible for the grades?

Mr. McGOVERN. Yes.

The CHAIRMAN. What excuse do they give? Why do they turn you down? Do they give any good reason for it?

Mr. McGOVERN. Yes; they have their own reason for it. They have their reason. They say that these are the grades that they have made, and they are made on a scientific proposition, and they are all right. They are satisfactory to the millers. As far as the Bureau of Markets is concerned, they are just as deaf to the wishes of the farmers as an Egyptian mummy would be. You may as well go out and talk to a stone wall for the farmers as to talk to anyone connected with them.

The CHAIRMAN. You say they are to the advantage of the millers. To what millers?

Mr. McGOVERN. Well, I have been giving you some figures and prices here. These prices show the advantage that the miller has.

The CHAIRMAN. But there is competition in buying on sample. I take it they would bid up what the commercial value of that wheat is; whether it is graded or not. They would pay no attention to the grade. That is, if the samples are taken into consideration.

Mr. McGOVERN. Well, I do not imagine there is much competition in buying of grain at the terminal markets.

Mr. SINCLAIR. There is no competition in the buying at the primary market. You recognize that.

The CHAIRMAN. Take Minneapolis, for instance.

Mr. SINCLAIR. The farmer taking his wheat to the local elevator, there is no competition there.

The CHAIRMAN. There is competition also at many of the local markets, is there not?

Mr. McGOVERN. Well, is there? They all use that same card.

Mr. SINCLAIR. They use that same card.

Mr. McGOVERN. They use that same card. There may be 10 elevators in the town, and they all use that card. The farmer comes in with his grain. He says, "What is my grain worth?" "What have you got?" "2." "It is worth so much. There is your card."

The CHAIRMAN. We will say that No. 2 wheat is worth \$1 a bushel, and No. 1 wheat is worth \$1.20 a bushel. Here are these two samples of No. 2 before me, and I find that this No. 2 is pretty close to No. 1. As a practical business man I would pay more for that than I would for this that is scant No. 2.

Mr. McGOVERN. You are talking about the terminal market.

The CHAIRMAN. Well, I am speaking of a practical business man; if a miller.

Mr. McGOVERN. Well, that might be true, too.

The CHAIRMAN. Is not that true in the large milling centers?

Mr. McGOVERN. Well, but do you imagine that if this is a graded sample grain, and it was really, with this foreign material out, a grade No. 1 dark northern, that you would get that?

The CHAIRMAN. All No. 2 does not sell at the same price.

Mr. McGOVERN. No, No. 2 does not sell at the same price, but he would not give you the No. 1 for it if it was a graded sample.

The CHAIRMAN. Well, if I thought it was worth \$1.19 I would pay \$1.19, regardless of the grade.

Mr. McGOVERN. You had better go down on the market and see whether that is the way they work or not.

Mr. FLANNERY. These specific examples you have cited, Mr. McGovern, are merely cited as being typical of general conditions, are they not?

Mr. McGOVERN. Those are actual samples taken from the wagon.

Mr. FLANNERY. Yes, but you are just giving specific instances, are you not?

Mr. McGOVERN. Yes.

Mr. FLANNERY. They are typical of the general conditions?

Mr. McGOVERN. Yes.

Mr. FLANNERY. And you take any particular transaction out there and it would show the same result?

Mr. McGOVERN. It would show the same result, the same thing exactly. I could have brought down every bushel that was bought in North Dakota, if that is what they wanted, brought down samples, because we could place a man out there to get these samples.

Now, Mr. Chairman, if that is all you have to ask of me, I would like to have the miller follow me, if nobody objects to it.

Mr. SULLIVAN. Mr. McGovern, there is none of this wheat sold at the local elevator, or primary market, on sample?

Mr. McGOVERN. No, on grades. When I started out I made that statement that it was bought in the country on grades. On Federal grades, at that.

Mr. SULLIVAN. And the grade is fixed by the average sales, or the closing sales, which—at Minneapolis?

Mr. McGOVERN. Well, I don't know. I couldn't say. I asked Mr. Durant, at one time when he was at Fargo. He came out there to the college where our office is, and I asked him what his card was based on at that time, his prices, and he told Senator Ladd and myself that they were based on the December option at that time. So that I can not speak for this card proposition. I do not know what it is based on. I suppose the Minnesota men can answer that question. I would not pretend to answer what that card is based on.

Was there anything else you wished to ask about?

Mr. JACOBSON. Mr. Chairman, I would like to ask Mr. McGovern a few questions.

The CHAIRMAN. Yes.

Mr. JACOBSON. You stated, Mr. McGovern, that in North Dakota they took this dockage or screenings out of wheat when they cleaned it?

Mr. McGOVERN. Yes.

Mr. JACOBSON. You have no record of that they shipped out any of these screenings or wild peas, have you?

Mr. McGOVERN. No, sir; we have none.

Mr. JACOBSON. May I at this time, Mr. Chairman, because I may have to go away, get into the record what the Minnesota mills shipped out in carload lots of mill oats, screenings, and wild peas in a certain period? May I put that into the record?

The CHAIRMAN. Without objection you may do so at this time, Mr. Jacobson.

Mr. JACOBSON. From September 1, 1917, to September 1, 1918, the Atkinson mill shipped out 6 carloads of mill oats.

The Century mill shipped out 8 carloads of mill oats in that same period of time.

The Consolidated A shipped out 10 carloads of mill oats.

The Pillsbury A shipped out 115 carloads of mill oats, and the Washburn-Crosby mill shipped out 6 carloads of mill oats and 18 carloads of wild peas.

The American Linseed shipped out 4 carloads of mill oats.

Archer-Daniels shipped out 32 carloads of screenings.

Minnesota Linseed shipped out 18 carloads of screenings.

Northern Linseed shipped out 7 carloads of screenings.

Now, the above figures are in the period from September 1, 1917, to September 1, 1918. And from September 1, 1918 to September 1, 1919, I will give the following figures:

The Century mills shipped out 15 carloads of mill oats.

Consolidated A shipped out 4 carloads of mill oats.

Pillsbury A shipped out 63 carloads of mill oats, 1 carload of screenings, and 1 carload of wild peas.

The Pillsbury Rye mills shipped out 12 carloads of mill oats.

The American Linseed shipped out 31 carloads of screenings.

Archer-Daniels shipped out 47 carloads of screenings.

Minnesota Linseed shipped out 20 carloads of screenings.

Northern Linseed shipped out 11 carloads of screenings.

Midland Linseed shipped out 27 carloads of screenings in that time.

Now, this is just what was shipped out by carload lots of those foreign materials that have come in in the wheat. Of course, there have been tons and tons and tons of it sold in the cities to the feed stores that grind up the feed, but this is from our weighing department in the State of Minnesota, and it shows just what has been shipped out in carload lots.

The CHAIRMAN. How much did they buy as oats?

Mr. JACOBSON. How much oats?

The CHAIRMAN. Yes; how much did these mills buy as oats? Have you any record of that?

Mr. JACOBSON. Well, I have not gotten the record of that. I only show that this is screenings, wild peas, and mill oats.

The CHAIRMAN. That was what was cleaned out?

Mr. JACOBSON. Yes.

The CHAIRMAN. Have you any evidence of that?

Mr. JACOBSON. From our records in the weighing department in the State of Minnesota we have these figures.

The CHAIRMAN. Have you any records of the oats that were bought in these mills?

Mr. JACOBSON. No; this is mill oats—what they call wild oats.

Mr. SULLIVAN. Stuff that has been taken out of wheat.

Mr. JACOBSON. Yes; stuff that has been taken out of wheat. That is mostly wild oats, Mr. Chairman.

The CHAIRMAN. That was separated from the wheat?

Mr. JACOBSON. Yes.

The CHAIRMAN. How much did they pay for it as docakage?

Mr. JACOBSON. Well, of course, that is exactly what they have taken in.

The CHAIRMAN. Do you contend that is clear gain to them?

Mr. JACOBSON. Yes; that is the gain.

The CHAIRMAN. That is gain.

Mr. SINCLAIR. In all probability that is all gain.

Mr. JACOBSON. That shows that it can be separated, Mr. Chairman, that is all.

The CHAIRMAN. Oh, the point that you want to make is that it can be separated?

Mr. JACOBSON. Yes; the point that I want to make is that it can be separated. I wanted to get that in the record.

The CHAIRMAN. Very well.

Mr. FLANNERY. When you say "shipped out," you mean shipped out and sold?

Mr. JACOBSON. Yes; in carload lots.

The CHAIRMAN. You are through, are you, Mr. McGovern?

Mr. McGOVERN. Yes.

The CHAIRMAN. Now, you gave us some figures, from some statements you had, Mr. Jacobson. Did you want to put them in the record?

Mr. JACOBSON. Yes; I would like to put those statements in the record.

The CHAIRMAN. Very well, without objection they may go into the record.

(The statements presented by Mr. Jacobson are as follows:)

Mill oats, screenings, and wild peas loaded at the mills in Minneapolis.

SEPT. 1, 1917, TO SEPT. 1, 1918.

Station.	Mill oats.	Screenings.	Wild peas.	Station.	Mill oats.	Screenings.	Wild peas.
Atkinson.....	6			Pillsbury B.....			
Cataract.....				Pillsbury rye.....			
Century.....	8			Washburn-Crosby.....	6		18
Clark.....				American Linseed.....	4		
Columbia.....				Archer-Daniels.....		32	
Consolidated A.....	10			Minnesota Linseed.....		18	
Consolidated B.....				Northern Linseed.....		7	
Dakota.....				Midland Linseed.....			
Nokomis.....				Total.....	149	57	21
Palisade.....							
Pillsbury A.....	115		3				

SEPT. 1, 1918, TO SEPT. 1, 1919.

Atkinson.....				Pillsbury B.....	12		
Cataract.....				Pillsbury Rye.....			
Century.....	17			Washburn-Crosby.....			
Clark.....		1		American Linseed.....		31	
Columbia.....				Archer-Daniels.....		47	
Consolidated A.....	4			Minnesota Linseed.....		20	
Consolidated B.....				Northern Linseed.....		11	
Dakota.....				Midland Linseed.....		27	
Nokomis.....				Total.....	90	138	1
Palisade.....							
Pillsbury A.....	63	1	1				

Mr. JACOBSON. I have here a pamphlet, Mr. Chairman, which I do not care to read to you at this time. The prices I have given there are, of course, the prices during war times. Of course, you would not expect to have such high prices now.

The CHAIRMAN. Do you want this pamphlet incorporated in the record, Mr. Jacobson?

Mr. JACOBSON. Yes; I would like to have it in the record.

The CHAIRMAN. Without objection it may go into the record.

(The pamphlet presented by Mr. Jacobson is here printed in full as follows:)

REPORT TO THE STATE LEGISLATURE BY THE MINNESOTA RAILROAD AND WAREHOUSE COMMISSION ON METHODS OF DETERMINING THE VALUE OF "DOCKAGE" IN GRAIN.

[Joint resolution No. 13, Legislature of the State of Minnesota, session of 1919. H. F. No. 931. Introduced by Representatives C. M. Bendixen and L. C. Dorweiler.]

A CONCURRENT RESOLUTION Authorizing the railroad and warehouse commission to investigate, determine the proper method of requiring the purchaser of grain, subject to dockage, to reimburse the producers and to report to the next legislature its findings as to proper legislation to enact for that purpose.

Whereas under the present standards of grading grain, wheat, rye, and flax are subject to dockage or a weight discount for foul seeds, weed seeds, foreign material, and other substances other than the grain which is being graded; and

Whereas such dockage has a recognized commercial value after being cleaned from the grain: Therefore be it

Resolved by the House of Representatives of the State of Minnesota (the Senate concurring), That the railroad and warehouse commission before the convening of the next session of the legislature institute an investigation to determine the proper method of requiring the purchaser of grain, which is subject to dockage, to reimburse the producers for the same and to report to the next legislature its findings as to the proper legislation to enact for the purpose.

Approved April 25, 1919.

REPORT.

In conformity with a joint resolution of the Legislature of the State of Minnesota, approved April 25, 1919, directing the Minnesota Railroad and Warehouse Commission to institute an investigation to determine the proper method of requiring purchasers of grain, which is subject to dockage, to reimburse the producers of the same, this commission has made as thorough an investigation of the subject as the circumstances would permit, and herewith submits the following report:

The term "dockage" as used in commerce is a trade name for separable foreign matter found in grain. Dockage is obtained by subjecting grain to a cleaning operation or process. Various cleaning devices are on the market and a great many of the elevators in Minnesota are equipped with cleaning machinery of one kind or another. Some dockage has value, some is of little or no value in commerce or for feeding purposes, and some again is waste or without value. Commercially only dockage in wheat, rye, and flax is given consideration.

Valuable dockage includes wheat, rye, flaxseed, oats, wild oats, corn, barley, speltz, emmer, millet, timothy, wild pea or vetch, mustard seed, alfalfa seed, clover seed, buckwheat, green foxtail or pigeon grass, or any other grain or seed having a feed value either by itself or in combination with other seed or grain. This class of dockage on the market is sold as "screenings," as "mill oats", and under various other commercial terms.

Dockage with no recognized commercial value at present includes cockle, kinghead, darnell, quack grass, Canada thistle, sow thistle, dodder, wild rose, garlic, wild onion, pig weed, yellow foxtail or water grass, French weed, other weed seed, chaff, straw, stems, dirt, and sand.

It has been recognized by the grain trade for many years that dockage of some kinds has considerable value and that the producer of grain is entitled to compensation therefor. Hitherto the grain trade has not developed any uniform rules for handling dockage and the result is that there is much confusion over this subject. The bureau of Markets of the Federal Department of Agriculture which has made an exhaustive study of the general subject of standards for grading grain has not undertaken to standardize dockage although it is a recognized commodity in the grain trade. This is particularly significant in view of the fact that the Department of Agriculture has at its command practically unlimited means and has a large staff of agricultural technicians and scientists.

North Dakota, of all the States in the Union, so far, is the only one to enact any direct legislation with reference to dockage. Under rule No. 7, prescribed by the State inspector of grades, weights, and measures, rules for determining the market value of grain are set forth. It does not appear that the rules have solved the complicated problem, as a general controversy has resulted from attempts to enforce them.

GRADES FOR SPRING WHEAT.

The investigation conducted by this commission covered 322 local or country elevators in Minnesota and 52 in North Dakota. Of the Minnesota warehouses 35 are connected with flour mills and of the North Dakota elevators 5 are connected with mills. In order to ascertain if any differences existed in the character of dockage and the methods of handling the same the investigation was conducted independently in three districts, each representing geographical sections of the State. District No. 1, in the southwestern part of the State, comprises Sibley, Nicollet, Blue Earth, Brown, Redwood, Renville, Lyon, Yellow Medicine, and Lac qui Parle Counties, in which 152 elevators, including 20 mills, were visited. District No. 2, in the Red River Valley, comprises Big Stone, Traverse, Stevens, Grant, Wilkin, Otter Tail, Clay, Norman, Polk, Marshall and Kittson Counties, in which 145 elevators, including 6 mills, were visited. District No. 3, in the central part of the State, comprises Stearns, Benton, Morrison and Todd counties, in which 25 elevators, including 9 mills, were visited. District No. 4, in North Dakota, covered 52 elevators, including 5 mills in Richland, Cass, Traill, Grand Forks, Ramsey, Towner, and McHenry Counties. Of these 374 local elevators 157 are line houses, 103 farmers' elevators, 74 independent elevators, and 40 mills, but 21 of the "line houses" are owned by milling concerns. For various reasons it was inadvisable to extend the investigation over the entire State as this would have entailed the study of about 1,600 local warehouses. It is believed, however, that the results of the findings would not have varied materially from those obtained by the study of one-fifth of the elevators even though the work had been extended to embrace the entire list.

Although the matter of compensation for dockage has been agitated for a great many years, quite a number of Minnesota elevators do not clean the grain received by them. All the mills, as a matter of self-protection, clean their grain before milling, but of 287 purely grain elevators 167, or 58.2 per cent of the whole number, did no cleaning in the 1919-20 crop.

Following table summarizes the cleaning practices of Minnesota and North Dakota elevators as ascertained by the present investigation:

Minnesota and North Dakota elevators and mills grouped according to cleaning.

	Not cleaning.		Cleaning.		Mills only.	Sub-total.
	Number.	Per cent.	Number.	Per cent.		
MINNESOTA.						
District I:						
Line.....	64	97.0	2	3.0		66
Farmers.....	15	35.0	28	65.0		43
Independent.....	13	56.5	10	43.5		23
Mills.....					20	20
Subtotal.....	92	70.0	40	30.0		152
District II:						
Line.....	51	82.2	11	17.8		62
Farmers.....	8	19.0	34	81.0		42
Independent.....	7	20.0	28	80.0		35
Mills.....					6	6
Subtotal.....	66	47.5	73	53.5		145
District III:						
Line.....	5	62.5	3	37.5		8
Farmers.....			1	100.0		1
Independent.....	4		3			7
Mills.....					9	9
Subtotal.....	9	56.2	7	43.8		25
Total for Minnesota.....	167	58.2	120	41.8	35	322
NORTH DAKOTA.						
District IV:						
Line.....	14	*	7			21
Farmers.....	5		12			17
Independent.....						9
Mills.....					5	5
Total for North Dakota.....	19		28		5	52
Total for North Dakota and Minnesota.....	186		148		40	374

This table brings out the point that a larger percentage of elevators in the Red River Valley are cleaning grain than in the other two districts of the State. This is manifest in all types of elevators, but especially with the independents. Examining the table further brings out the fact that cleaning is much less prevalent among line houses than among other kinds.

Reduced to a percentage basis, the total for Minnesota districts shows 26.7 per cent of the farmers do not clean, 36.9 per cent of the independents do not clean, and 88.2 per cent of the line houses do not clean.

In other words about one-eighth of the line elevators are equipped to clean, about three-fourths of the farmers, and about two-thirds of the independents. This also could be expected inasmuch as line companies usually have terminal elevators or sometimes special cleaning houses, which are equipped with cleaning machinery.

Average dockage in the Minnesota wheat crop of 1919 ranged from 3.32 per cent in the central district to 7.2 per cent in the Red River Valley and 7.3 in the southwest district, being heavier in the western counties individual elevators reported dockage ranging from 2 to 20 per cent.

For the previous year's wheat crop in the same districts and elevators the dockage averages were as follows: Central district, 3.3 per cent; Red River Valley, 4.5 per cent; southwest, 3.2 per cent. For the entire State the dockage in the 1918 crop averages 3.77, compared with 7 per cent for the 1919 crop. In the latter year 318 elevators reported wild oats in the dockage, 254 pigeon grass, 145 yellow foxtail or water grass, 46 mustard seed, 19 wild buckwheat, and from 1 to 6 elevators reported smartweed, quack grass, fireweed, wild millet, pigweed, and French weed. Foxtails, both green and yellow, show high in wet years like 1919, and this fact possibly gives an explanation of the heavy dockage in that year's crop.

The amount of mustard was little and there was hardly any flax. Both are highly valuable, but the former is said to be disappearing rapidly and is not expected to figure extensively as a dockage problem. Green foxtail or pigeon grass is held to have a limited feed value but yellow foxtail or water grass is held to be useless or without value.

Wild oats, on the basis of the 1919-20 investigation, constitutes the main article in Minnesota dockage. Wild oats in that crop appeared to be about one-half the entire dockage. While no conclusive figures are obtainable the great majority of Minnesota elevator managers agree that dockage in 1918-19 was composed mostly of wild oats. Inasmuch as experience has shown that wild oats is the principal item in dockage it is contended by many who have given the subject careful consideration that dockage prices should be based upon the wild oats content of the grain.

Wild pea or wild vetch generally is regarded as inseparable from wheat. However, a device which will separate, recently has appeared on the market and is reported to do a satisfactory job of cleaning, but the process is complained of as slow and therefore somewhat expensive. Wild pea is very valuable when it can be separated from other grain or dockage. Last year the Minneapolis mills are reported to have obtained as high as \$40 a ton for wild pea shipped to the South. To what extent elevators will attempt to separate wild pea can not be predicted. Some sections of southern Minnesota produce considerable quantities while in other sections the wild pea virtually is unknown. No particular attempt has been made to clean out king head as far as is known, possibly because it has little inherent value.

In normal or average years the inseparables have a tendency to lower grades, but this tendency was not so evident in the 1919 crop, because the general test weights were so low that a considerable quantity of inseparables might be carried without reducing the weight and thereby affecting the grade.

According to the present investigation the cost of cleaning machinery now installed in country elevators ranges from \$75 to \$975, the average investment being about \$500. The North Dakota elevators have larger machines, possibly because the local elevators average a greater capacity and their cleaning machinery ranges in price from \$375 to \$950, the average being \$592.

It has been found that the elevator managers estimate the life of cleaners from 3 to 20 years, the average being 9.25 years. They charge from 1 to 5 cents a bushel for cleaning and estimate the cost thereof anywhere from one-fourth cent to 5 cents, the average of 105 estimates being 2.27 cents per bushel. On an average Minnesota elevators cleaned 26,655 bushels during the season of 1919-20. The amount of dockage left after one cleaning that season was 2.68 per cent on the average, of which 49.3 per cent, or about one-half, was wild oats.

That the average estimate as to the cost of cleaning is somewhat high is apparent by a detailed calculation, as for instance, the following:

Cost of cleaning wheat with a \$500 cleaner.

Depreciation of apparatus, life of 10 years.....	\$50
Cost of repairs, one-tenth of value.....	50
Return on investment, 6 per cent depreciated value.....	15
Labor, greatest possible maximum—1 man full time and 1 man part time, 85 cents an hour, 100 hours.....	85
Power, mostly gasoline—estimated at a maximum of 35 cents per hour.....	35
Incidentals.....	15
 Total.....	250

If the average life of the cleaner is taken to be only five years, as some believe, the cost of operating a plant will be increased to \$275 a year. At that figure the cost per bushel of cleaning 25,000 bushels would be 1.1 cents. If a greater quantity than 25,000 bushels is cleaned the cost per bushel will be reduced.

Under the North Dakota rules elevators are permitted to charge 2 cents a bushel for cleaning less than 10 per cent dockage and 3 cents when dockage exceeds 10 per cent.

In handling grain, no matter what the process may be, there invariably is a loss of material or bulk weight, which in the grain trade is called shrinkage. There is a loss or shrinkage in the cleaning process. It is referred to as "invisible loss" or "waste in cleaning." To some elevator men shrinkage is associated with loss of moisture, by drying of the grain. Many elevator men do not take shrinkage into account at all, but 48 managers in Minnesota made an average estimate of 1½ per cent on the 1919 crop. This figure is given for what it is worth and like the estimate of cost of cleaning is not to be accepted as scientifically accurate, but simply as a general indication based upon the data available. Nevertheless, elevator men are likely to include shrinkage in the cost of operating their cleaning machinery.

Dockage when appearing as a commodity in commerce is generally known as "screenings," "ground screenings," or "mill oats." Mill oats from the 1919 crop sold for from \$27 to \$60 a ton in the terminal markets. Screenings sold from \$15 to \$40 a ton in the local markets or at an average of \$24.60 a ton and at from \$20 to \$45 a ton at the terminal markets, an average of \$30.85.

Generally speaking, elevator managers do not buy dockage, but instead many have adopted various buying practices, which their patrons often have accepted on the theory that they have been conferred as a favor. These practices generally are known as follows:

1. Underdocking, or taking less than the actual dockage.
2. Cash premium for dockage in excess of specified amount.
3. Overgrading, resulting in the payment for a higher grade than the wheat may receive at a terminal.
4. Paying up, or paying above the card price, sometimes amounting to paying Minneapolis close, less freight.

Buying practices of the character enumerated largely are the result of competition in the local market. Where there is no competition there is little or no incentive to "favor" the farmer, as it is called. Much could be said relative to various buying practices in vogue, but the farmers and the grain buyers are so familiar with the subject that any extended discussion thereof in this report is inadvisable.

A summary of buying practices by 322 elevators and mills in Minnesota, however, may be of interest and is appended, as follows:

Summary of grain-buying practices at local elevators in Minnesota.

	Line.	Farmers.	Independent.	Mills.	Total.
Underdocking only.....	11	13	7	3	34
Paying cash premiums only.....		1			1
Overgrading only.....	5	2			7
Paying over card only.....	54	25	24	13	116
2 of above.....	20	33	28	17	96
3 of above.....	5	3	2	1	11
None of above	{ 41	9	4	1	55
	30. 1% c	10. 4% c	6. 1% c	3% c	17% c
Total reporting.....	136	86	65	35	322

It will appear from the foregoing summary that a much larger proportion of farmers and independent elevators have adopted various buying practices to cover possible losses through dockage than is the case with line elevators. About 30 per cent of line elevators abide strictly by the grading rules.

Of the 167 elevators previously referred to as doing no cleaning, 50 of them buy strictly according to the grading rules, while all but 4 of the elevators which clean have adopted one or more of the buying practices.

It will be noted from the foregoing that the favorite plan for reimbursing the farmer for his dockage is to pay him more than the card price for his wheat.

North Dakota licenses all elevator and mill buyers and gives them commissions as deputy inspectors of grades, weights, and measures. Such inspectors are required to fix the correct grade and the exact amount of dockage and to make true records thereof on the scale tickets. They are permitted to charge for cleaning grain and after cleaning are required to pay for the dockage or return the screenings. Elevators without cleaning apparatus are required to pay cash for dockage. Under such regulation by the State there is neither overgrading nor undergrading, neither overdocking or underdocking. Some elevators, however, pay more than the card price, the premium ranging from 5 to 12 cents a bushel. The great majority—40 elevators out of 51—adhere strictly to the card prices. In this connection it may be observed that only one-third of the Minnesota elevators adhered to the card, while about a third paid 10 or more cents above card and one even as high as 27 cents.

Before the North Dakota law went into effect, 6 of 52 elevators paid cash for dockage; 5 cleaned the grain, usually charging 2 cents a bushel for the work, and returned the screenings to the owner; while 41 made no payment for dockage.

The experience in North Dakota with the 1919 crop shows that elevator men do not pay for dockage under 7 per cent and that the grain-department authorities of the State do not require payment for dockage when the percentage is less than that amount. It is assumed that the 7 per cent is represented about as follows: Three per cent represents the indefinite item called "shrinkage," while 4 per cent is considered to balance the cost of cleaning at 2 cents a bushel, or at somewhat less than 1 cent for each pound of dockage. The compensation for dockage above 7 per cent is prescribed by law as follows: No. 1, \$1.20 per hundredweight; No. 2, 90 cents per hundredweight; No. 3, 70 cents per hundredweight. On account of some uncertainty regarding valuable dockage, North Dakota buyers usually have dumped all dockage together, called it valuable and then come to some agreement with the owner as to the price thereof.

North Dakota elevators not equipped with cleaners are required to pay cash for dockage, but the others have the choice of paying cash or returning the screenings.

Ordinarily an elevator man is willing to pay for dockage which he can clean, and the average buyer will clean, if he has a chance, but often the elevators are confronted with a situation that is, to say the least, quite embarrassing. Sometimes the grain comes so fast that the manager has no time to clean as he goes and he is obliged to ship without cleaning, if he can get the necessary cars. Minnesota elevator men placed in that situation ship without cleaning, although they may have the apparatus available and cleaning might be advisable. A North Dakota elevator man in the same position protests against paying for dockage, because no one pays him for it.

The result has been that some elevator men have tried to make arrangements with their patrons to accept a premium above the card price and to waive payment for dockage in lieu thereof, but the grain authorities hold that such practice is illegal.

Early in the history of the North Dakota dockage rules some of the elevator men took the position that it was incumbent upon the grain producers bringing their wheat to the elevator to declare whether he wanted cash or screenings and if no specific demand was made no accounting was made for dockage. The grain authorities on the other hand hold that if nothing is said the elevator man must pay in cash and they are now at work checking all the elevators in the State. Where no payment was given an effort is being made to compel the elevators to pay for all back dockage on the basis of No. 1, "mill oats" at \$1.20 per hundredweight. The elevator managers object to this plan because much of the dockage, they say, was inferior to No. 1, and that it would therefore be an injustice to compel them to pay maximum prices. The grain authorities reply that inasmuch as there is no way of knowing what the character of dockage was, the State must insist upon the maximum. The controversy over this point has not been closed as far as known.

During the investigation in the Red River district particular pains were taken to ascertain if the North Dakota elevators, which were accessible to Minnesota grain growers, attracted any more patrons from the Minnesota side by reason of the enforcement of the North Dakota valuable dockage law than they had in former years. The

answer was that there had been no gain in customers on the part of the elevators on the North Dakota side nor any loss on the Minnesota side.

Many North Dakota grain buyers are of the opinion that farmers should clean their grain on the farm and that the so-called valuable-dockage law is an encouragement to "dirty" farming. Others held that the law should not be mandatory as it was impossible at times to clean all grain because of limited storage capacity. Others again complained that extra work and bookkeeping was entailed without any corresponding benefit. Some are of the opinion that in normal years the farmers will get nothing. This opinion also prevails among many elevator managers in Minnesota. Some North Dakota buyers contend that the law is somewhat inconsistent unless Minnesota enacts a similar measure, as most of their grain goes to Minnesota anyway.

Generally speaking, Minnesota grain buyers argue against a valuable-dockage law, contending that dockage now is being adequately compensated for through various competitive practices and that there is no occasion for additional laws.

After reviewing the information obtained from our own investigation and the reports of the Federal Department of Agriculture it appears that the problem of determining the value of dockage is a very difficult one to solve in a manner satisfactory to all concerned. The lack of uniformity in buying practices simply emphasizes this proposition. The failure of the Federal Department of Agriculture to come to the relief of the farmers in this respect doubtless indicates that the subject is a complex one.

It has been stated that the only way by which the value of dockage may be ascertained is to grind it into feed and then make a proper test or analysis of its value for feeding purposes. Such a plan may prove to be the correct solution. Minnesota is now building an experimental flour and feed mill, and when it is completed there will be ample means of determining the feeding value of various grades and of dockage.

This commission trusts that its report on the dockage question may supply the information necessary to guide your honorable body in formulating legislation relative to this question, in the event that any legislative action should be deemed advisable. This commission is, of course, ready to cooperate with your honorable body or its representatives in any manner that may be required.

Respectfully submitted,

MINNESOTA RAILROAD AND WAREHOUSE COMMISSION,
By O. P. B. JACOBSON.

ST. PAUL, December 20, 1920.

Mr. SANDERSON. Mr. Chairman, I presented yesterday charts showing the milling and baking data on wheat graded No. 5, on account of kingheads, and on the same wheat with kingheads removed, and grading No. 1 dark northern spring. I fear there were some mistakes made in the chart on yesterday and with your permission, Mr. Chairman, I would like to offer these I now have in my hand for printing in the record.

The CHAIRMAN. Without objection, it is so ordered.
(The chart referred to is printed in full, as follows:)

GRADES FOR SPRING WHEAT.

Milling and baking data on wheat graded No. 5 dark northern spring, on account of kingheads, and on some wheat with kingheads removed and grading No. 1 dark northern spring.

[Prices on wheat average for June 15, 16, 17, and 18, 1921. Prices on mill products average week ending June 15, 1921, Minneapolis market.]

Grade.	Test weight after cleaning.	Weight before cleaning.	Loss in cleaning.	Inspec-tor's dock-age.	Feed.	Gain in milling.	Absorp-tion.	Volume loaf.	Color score.	Tax-ture score.	Value 100 pounds flour.	Mill prod-ucts value.	Market price.	Differ-ence.	Gain.	Bushels and pounds per bushel.
	Per ct.	Lbs.	Lbs.	Lbs.	Per ct.	Lbs.	Per ct.	C. c.	91.0	89.0	\$4.72	2.07	Per lb.	Per lb.	Per bu.	
5 dark northern spring.....	57.1	60.0	1.89	66.1	2.00	52.4	2.350	91.0	90.5	89.5	\$0.32	4.06	4	57		
1 dark northern spring.....	58.7	60.5	1.10	69.3	29.8	52.4	2.400	92.5	92.5	92.5	1.77	1.39	1.84	4	43	

MILLING AND BAKING DATA ON 12 SAMPLES GRADED DOWN ON ACCOUNT OF INSEPARABLE FOREIGN MATERIAL.

5 dark northern spring.....	58.1	61.0	3.5	3.25	70.1	37.2	0.5	51.5	2.100	90.0	\$4.66	\$2.11	\$1.25	\$0.96	\$4.01	4	40	
5 dark northern spring.....	57.1	60.0	1.89	66.1	2.00	52.4	2.350	91.0	90.5	89.0	4.72	2.07	1.25	0.92	4.06	4	57	
4 dark northern spring.....	58.0	60.0	4.4	9.00	62.1	34.0	2.0	52.4	2.350	91.0	87.0	4.65	1.63	1.38	0.55	2.89	5	16
4 dark northern spring.....	57.5	60.0	6.0	8.00	62.4	36.0	2.7	50.0	2.317	79.0	85.5	4.46	1.88	1.15	0.73	3.82	5	14
3 dark northern spring.....	54.4	57.5	6.0	4.52	66.3	35.0	1.5	50.0	2.285	89.0	88.0	4.06	2.06	1.25	0.31	4.00	4	56
3 dark northern spring.....	57.5	60.0	4.0	4.52	60.1	37.4	2.4	51.2	2.128	72.0	85.5	4.34	1.80	1.15	0.65	3.42	5	27
3 dark northern spring.....	58.5	58.5	8.0	12.86	60.1	30.7	1.6	49.2	2.422	88.5	98.5	4.90	2.09	1.51	0.58	2.80	4	59
3 dark northern spring.....	58.5	61.0	11.0	16.32	65.6	30.7	1.6	51.6	2.166	72.0	85.5	4.90	2.09	1.51	0.58	2.80	4	59
3 dark northern spring.....	57.4	59.5	13.0	18.92	63.8	31.5	2.2	52.9	2.588	90.0	95.0	4.88	2.06	1.51	0.45	2.51	5	37
3 dark northern spring.....	58.1	59.5	4.0	6.65	67.5	31.0	1.1	52.4	2.550	93.0	95.0	4.86	2.15	1.38	0.77	3.70	4	47
3 dark northern spring.....	67.0	58.0	5.0	5.72	68.4	32.6	1.1	52.6	2.330	91.0	94.0	4.79	2.16	1.51	0.65	3.11	4	42
4 dark northern spring.....	58.3	59.5	2.0	2.18	69.4	30.6	1.2	51.5	2.105	88.0	92.0	4.67	2.09	1.38	0.71	3.34	4	42
4 northern spring.....	57.5	58.5	1.0	3.73	65.4	32.2	.3	51.2	2.275	90.0	93.0	4.77	2.04	1.45	0.59	2.95	5	60

SAMPLES GRADED DOWN ON ACCOUNT OF TEST WEIGHT PER BUSHEL.

3 dark northern spring.....	55.0	56.0	5.0	11.50	65.0	31.4	0.9	52.6	2.605	95.0	\$4.96	\$2.07	\$1.51	\$0.56	\$2.90	5	11	
4 dark northern spring.....	54.4	56.5	4.0	5.23	68.7	29.5	1.4	55.2	2.806	94.0	5.00	2.10	1.38	0.73	3.42	4	41	
5 dark northern spring.....	51.5	52.5	10.0	12.48	62.4	36.2	1.0	55.0	2.730	91.0	95.0	4.87	2.05	1.25	0.80	4.18	5	14
4 dark northern spring.....	53.0	54.5	3.0	9.98	60.5	32.7	.1	52.9	2.805	94.0	4.94	1.99	1.38	0.61	3.20	5	24	

GRADES FOR SPRING WHEAT.

Average by grades and subclasses, hard red spring wheat.
(1919 crop.)

Grade and subclass.	Inspec-tors' dockage.	Loss in cleaning.	Total flour.	Mill feed.	Water absorbed.	Volume leaf.	Color.	Texture.	Value of flour per 100 pounds.	Value of mill products per bushel.	Market value of wheat per bushel.	Gross gain per barrel of flour.
1919 CROP.												
No. 1 dark northern spring.....	5	9	70.8	Pounds.	Per cent.	C. c.			\$1.07	\$1.91	\$1.64	\$1.26
No. 2 dark northern spring.....	6	9	69.1	70.8	26.7	2.277	92	95	1.06	1.87	1.56	1.47
No. 3 dark northern spring.....	2	5	68.1	69.1	27.0	2.291	91	93	1.06	1.86	1.52	1.47
No. 4 dark northern spring.....	7	7	68.7	68.7	27.5	2.296	93	95	1.09	1.82	1.52	1.57
No. 5 dark northern spring.....	3	7	64.7	64.7	50.8	2.246	92	95	1.08	1.79	1.18	3.07
Sample.....	9	63.7	63.7	51.8	56	2.288	91	94	3.89	1.74	1.18	.61
No. 1 northern spring.....	5	8	68.8	68.8	28.1	2.183	95	96	4.10	1.98	1.62	2.80
No. 2 northern spring.....	19	19	68.0	68.0	28.4	2.101	90	93	4.10	1.85	1.62	1.25
No. 3 northern spring.....	15	9	67.9	67.9	26.1	2.225	90	94	4.04	1.83	1.22	1.73
No. 4 northern spring.....	7	10	66.9	66.9	26.7	2.050	82	91	3.88	1.76	1.20	2.47
No. 5 northern spring.....	7	24	65.1	65.1	31.3	54	2.303	92	94	4.05	1.79	1.18
Sample.....	2	67.7	58.9	53.6	55	2.189	90	92	3.99	1.61	1.18	2.43
No. 1 red spring.....	12	12	67.3	67.3	26.1	52	2.292	90	90	4.12	1.83	1.22
No. 4 red spring.....	5	5	67.3	67.3	26.1	2.050	.....	.....	3.97	1.79	1.08	3.44
1920 CROP.												
No. 1 dark northern spring.....	3	5	71.5	70.5	56	2.278	90	93	4.04	1.90	1.64	2.36
No. 2 dark northern spring.....	3	7	69.6	71.5	58	2.277	91	98	4.04	1.87	1.51	1.88
No. 3 dark northern spring.....	6	10	67.8	29.2	56	2.254	90	98	3.98	1.82	1.40	2.38
No. 4 dark northern spring.....	5	10	66.0	66.0	56	2.313	88	94	4.03	1.79	1.30	2.45
No. 5 dark northern spring.....	8	12	63.6	32.7	55	2.152	88	91	3.95	1.73	1.18	2.83
Sample.....	9	12	61.0	35.8	55	2.199	87	93	3.97	1.70	1.18	2.77
No. 1 northern spring.....	10	16	65.6	27.7	53	2.068	91	93	4.00	1.75	1.62	1.81
No. 2 northern spring.....	4	8	67.0	30.5	56	2.158	94	94	4.07	1.83	1.49	2.67
No. 3 northern spring.....	7	10	65.7	30.8	53	2.171	88	91	3.91	1.75	1.32	2.14
No. 4 northern spring.....	7	11	64.5	30.3	56	2.205	91	92	4.00	1.71	1.18	3.36
No. 5 northern spring.....	9	16	60.9	32.5	54	2.433	90	93	4.04	1.54	1.18	2.84
Sample.....	15	25	55.1	34.9	54	1.985	88	87	3.86	1.90	1.53	2.15
No. 1 red spring.....	4	6	73.5	24.5	57	1.738	90	91	3.94	1.53	1.37	1.64

GRADES FOR SPRING WHEAT.

Comparison of market price with actual value by grades and subclasses.

No. 1 D. N. S.		No. 2 D. N. S.		No. 3 D. N. S.		No. 4 D. N. S.		No. 5 D. N. S.		Sample D. N. S.	
Price per bushel.	Per cent of grade.	Price per bushel.	Per cent of grade.	Price per bushel.	Per cent of grade.	Price per bushel.	Per cent of grade.	Price per bushel.	Per cent of grade.	Price per bushel.	Per cent of grade.
\$1.64 1919 C.R.O.P.	17.2	28	\$1.56	11.10	17	\$1.43	17.5	25	\$1.30	18.2	24
Market price of products	17.2	33	1.87	11.10	21	1.86	17.5	32	1.82	18.2	32
Value of products											
Difference	.27	5	.31	4	.43	7	.52	9	.61	11	.56
No. 1 N. S.	No. 2 N. S.		No. 3 N. S.		No. 4 N. S.		No. 5 N. S.		Sample N. S.		
\$1.62 Market price of products	40.0	65	\$1.49	20.0	26	\$1.29	40.0	52	\$1.18	1.18	\$1.43
1.88 Value of products	40.0	75	1.85	20.0	37	1.76	40.0	70	1.70	1.61	1.82
Difference	.16	10	.36	.51	11	.47	.61	18	.61	.43	.39
No. 1 R. S.	No. 2 R. S.		No. 3 R. S.		No. 4 R. S.		No. 5 R. S.		Sample R. S.		
\$1.53 Market price of products	50.0	77	\$1.40	11.19	21	\$1.19	50.0	60	\$1.08	1.08	\$1.37
1.85 Value of products	50.0	93		1.83	37	1.79	50.0	90		1.61	1.83
Difference	.32	16		.51	11	.47	.61	18	.61	.43	.39
No. 1 D. N. S.	No. 2 D. N. S.		No. 3 D. N. S.		No. 4 D. N. S.		No. 5 D. N. S.		Sample D. N. S.		
\$1.64 1920 C.R.O.P.	17.2	28	\$1.56	11.11	17	\$1.43	17.5	25	\$1.30	18.2	24
Market price of products	17.2	33	1.86	11.11	21	1.82	17.5	32	1.79	18.2	33
Value of products											
Difference	.23	5	.30	11.10	21	.39	7	.49	.55	10	.52
No. 1 D. N. S.	No. 2 D. N. S.		No. 3 D. N. S.		No. 4 D. N. S.		No. 5 D. N. S.		Sample D. N. S.		
\$1.64 Market price of products	17.2	28	\$1.56	11.11	17	\$1.43	17.5	25	\$1.18	17.8	21
1.90 Value of products	17.2	33	1.86	11.11	21	1.82	17.5	32	1.79	17.8	31
Value total, sub-class.											
Difference	.23	5	.30	11.10	21	.39	7	.49	.55	10	.52

GRADES FOR SPRING WHEAT.

Comparison of market price with actual value by grades and subclasses—Continued.

No. 1 N. S.		No. 2 N. S.		No. 3 N. S.		No. 4 N. S.		No. 5 N. S.		Sample N. S.	
Price per bushel.	Cents per cent of grade.	Price per bushel.	Cents per cent of grade.	Price per bushel.	Cents per cent of grade.	Price per bushel.	Cents per cent of grade.	Price per bushel.	Cents per cent of grade.	Price per bushel.	Cents per cent of grade.
\$1.62	40.0	\$1.49	65	\$1.32	20.0	\$1.29	40.0	\$1.18	52	\$1.18	.....
1.78	40.0	1.88	71	1.75	20.0	1.75	40.0	1.75	70	1.75	.....
Difference..	.16	.....	6	.....	.....	.43	.....	.47	18	.....	.33

No. 1 R. S.		No. 2 R. S.		No. 3 R. S.		No. 4 R. S.		No. 5 R. S.		Sample R. S.	
Price per bushel.	Cents per cent of grade.	Price per bushel.	Cents per cent of grade.	Price per bushel.	Cents per cent of grade.	Price per bushel.	Cents per cent of grade.	Price per bushel.	Cents per cent of grade.	Price per bushel.	Cents per cent of grade.
\$1.53	100.0	\$1.48	100	\$1.40	.....	\$1.32	.....	\$1.19	.....	\$1.08	.....
1.90	.....	1.90	.....	.....	.....	.....	.....	.....	.....	.....	.....
Difference..	.37	.....	37	.....	.....	.....	.....	.....	.....	.....	.37

¹ Estimated.
Straight flour, \$6.06 per barrel, or 41 cents per pound; meal, \$20 per ton, or 1 cent per pound; screenings, \$8 per ton, or 4 cents per pound.
Total subclass, actual, \$1.78; total subclass, market, \$1.38; difference, 45 cents.

The CHAIRMAN. Who is next?

Mr. SULLIVAN. Mr. Thomas Sanderson.

STATEMENT OF MR. THOMAS SANDERSON, NORTH DAKOTA EXPERIMENTAL MILL, NORTH DAKOTA EXPERIMENT STATION.

The CHAIRMAN. Kindly give your name, Mr. Sanderson, and state whom you represent.

Mr. SANDERSON. Thomas Sanderson; I am in charge of the North Dakota Experimental Mill at the North Dakota Experiment Station.

The CHAIRMAN. Maintained by the State?

Mr. SANDERSON. This is the experiment station.

Mr. SINCLAIR. It is an agricultural college maintained by the United States Government?

Mr. SANDERSON. Yes. I have here a number of samples of bread. I am not prepared to show you bread from all the samples that Mr. McGovern showed you, for the simple reason that in order to get our bread scored we had to cut the loaf in two, as it is cut here. I have a number of loaves of bread here which I will show you, they having been cut in two, and then I will explain what they were made from in connection with a chart, and you can see the figures on this chart and follow my explanation in that way. Of course, that bread being cut, as you can see, it has started to mould, and therefore it will not make as good a showing as if it were fresh.

This sample loaf of bread which I now show you is from 12 samples of wheat mixed together and ground in one sample. These figures that you see here are the milling and baking report.

Now, this wheat, when mixed together, weighed 57.1 pounds to the measured bushel. After cleaning, ready to go to the mill, it weighed 60 pounds. The dockage on this was 1 per cent, and we cleaned out 1.89 pounds of screenings. Some of that may have been wheat, but not very much. It produced 66.1 pounds of flour per 100 pounds of wheat. And 35 pounds of mill feed; had 2 pounds of gain. This gain in milling is due to water being added to the wheat to toughen the bran so it will not pulverize. The commercial mills all go through that same process. The flour required 52.4 per cent of water to make the dough of the proper consistency to make a loaf of bread.

Now, the volume of the loaf: The cubical content is 2,350 cubic centimeters; the color score is 91; the texture score is 89.

Now, these factors are all given a definite value. The way we arrive at the value of the flour produced is, we take the per cent of the water absorbed and give that a definite value. Each unit in that factor has a definite value. Each 100 cubic centimeters in volume also has a definite unit value, and each point in color has a definite value, and each point in texture has a definite value. We take the wholesale value of the flour as sold on the market by the commercial mills as a basis for the value of the 100 pounds of flour, and in these four days that we covered in this test the wholesale price of patent flour—the standard patent flour on the Minneapolis market—would be \$4.87 a hundred.

This figure on the chart represents the value of 100 pounds of that flour.

The CHAIRMAN. That would be \$4.72?

Mr. SANDERSON. \$4.72 per hundred. Now this wheat had all of the foreign material in it that was contained in the samples that Mr. McGovern showed you, and I cleaned out what I could on my cleaning machinery, which is not as efficient as the ordinary commercial mill. Therefore there was some so-called foreign material in this wheat when I milled it, and it produced flour, based on the value of the wholesale price of flour, worth \$4.72 per 100 pounds. The per bushel value of the total mill products, that is, including the 66.1 pounds of flour and 35 pounds of feed, was \$2.07. The market value of the bushel of wheat of the grade No. 5 dark northern for the four days was \$1.25. The difference between the value of the mill products and the bushel of wheat is 82 cents.

The CHAIRMAN. You mean to say there is a profit of 82 cents a bushel?

Mr. SANDERSON. There is a gain of 82 cents a bushel between the cost of the bushel of wheat and the value of the mill products from a bushel of wheat.

The CHAIRMAN. In grinding it?

Mr. SANDERSON. Between the price paid for the wheat and the value of the mill products at wholesale price.

The CHAIRMAN. At the same market?

Mr. SANDERSON. At the same market.

The CHAIRMAN. Where?

Mr. SANDERSON. Minneapolis.

Now, this loaf of bread which I show you I will admit does not show up good, but had I cut some of these others they might have gone just as bad as this loaf did. I would not say they would, or I would not say they would not, because the condition of the air surrounding that might easily have been such that it would have had some of the mold spores in it, and they would have molded just as bad as this.

The CHAIRMAN. How many pounds of flour of that kind can be made of No. 1 wheat per bushel?

Mr. SANDERSON. That depends on the wheat entirely, Mr. Haugen. We find quite a variation in what we can make of this wheat per bushel, and the only way we can work on this wheat value proposition is to consider averages.

The CHAIRMAN. Well, from some investigations that were carried on, it is my recollection that 4.6 bushels of wheat would on the average make a barrel of flour.

Mr. SANDERSON. I can tell you how many pounds of wheat would be required to make a barrel of flour.

The CHAIRMAN. Are you going to give the average?

Mr. SANDERSON. No, I will tell you the number of pounds of wheat required to make a barrel of flour at any quantity of flour that the wheat may produce.

The CHAIRMAN. You mean of any grade, of these particular grades?

Mr. SANDERSON. Yes, according to what it would actually produce.

The CHAIRMAN. Well, 25 cents a bushel is considered a good profit on flour, isn't it?

Mr. SANDERSON. Well, during the war, when the Government took control of the milling industry, the millers were called in consultation

and told the committee that they had manufactured flour at 75 cents a barrel. Some of them admitted as low as 69 cents a barrel, covering an entire year's work.

The CHAIRMAN. Do you mean prewar?

Mr. SANDERSON. Yes.

The CHAIRMAN. Before the war they were making profits?

Mr. SANDERSON. They made a barrel of flour at a cost for manufacture of 69 cents per barrel, as stated.

The CHAIRMAN. Well, the Federal Trade Commission, I believe, reported that the average of profit was about 13 cents.

Mr. SINCLAIR. Mr. Sanderson is giving you the cost, Mr. Chairman; 69 cents a barrel is the cost of manufacturing a barrel of flour. That is right, is it not, Mr. Sanderson?

Mr. SANDERSON. Yes; 69 cents was the lowest cost of manufacture quoted by the commercial millers in my hearing.

The CHAIRMAN. That would be how much?

Mr. SANDERSON. The figure I just gave was 69 cents. Some of them gave that figure covering an entire year's work. Some said 75 cents a barrel, and one admitted 69 cents a barrel.

The CHAIRMAN. Well, what is your estimate?

Mr. SANDERSON. Well, I will tell you, Mr. Haugen, it depends entirely on location. There is a wide difference in the cost of production of a barrel of flour.

The CHAIRMAN. Take, for instance, where they have water power. What is the cost there?

Mr. SANDERSON. Well, before the war I would say that 75 cents a barrel would cover it.

The CHAIRMAN. Before and including the war?

Mr. SANDERSON. I would say that 75 cents a barrel would cover the cost of production of a barrel of flour before the war.

The CHAIRMAN. Seventy-five cents a barrel before the war?

Mr. SANDERSON. Yes; 75 cents.

The CHAIRMAN. That is prewar?

Mr. SANDERSON. Prewar; yes.

The CHAIRMAN. It seems much higher than any figures I have ever had.

Mr. SANDERSON. Well, the Federal Trade Commission has made a thorough investigation of this and give those figures.

The CHAIRMAN. You are speaking of the cost?

Mr. SANDERSON. I am speaking of the cost; yes, sir; absolutely. I am not saying anything about the items of cost, however.

The CHAIRMAN. You estimate the cost of manufacture at 75 cents a barrel?

Mr. SANDERSON. Yes, Mr. Haugen; 75 cents a barrel. That would be all right for mills down to probably 125 barrels, before the war.

The CHAIRMAN. Does that include the container?

Mr. SANDERSON. Yes; before the war.

The CHAIRMAN. What do you estimate their profit then, Mr. Sanderson?

Mr. SANDERSON. Do you mean per barrel?

The CHAIRMAN. Yes. In carload lots, in large shipments?

Mr. SANDERSON. I have heard the statements of the managers of many of the large mills, and they say they would be tickled to death to have 10 cents a barrel profit. They would be tickled to death to

have that profit of 10 cents a barrel, and they claimed that they were not getting that.

The CHAIRMAN. Have you any knowledge of their exact profits?

Mr. SANDERSON. I have not, because that is a debatable question, and it is a question that puzzles us to get at, unless it is an individual miller, where the manager and miller might be so closely connected.

The CHAIRMAN. Well, now, the average number of bushels required to make a barrel of flour, roughly estimated, would be what?

Mr. SANDERSON. Of this particular wheat right here that I have shown you, Mr. Haugen, that would require 297 pounds to make a barrel of flour. That is 4 bushels and 57 pounds.

The CHAIRMAN. Say that is 4.6. Wheat at a dollar a bushel would make that \$4.60.

Mr. SANDERSON. That would be 5 bushels of wheat, practically, Mr. Chairman.

The CHAIRMAN. And 75 cents as the cost, that would make for the barrel \$3.75.

Mr. SANDERSON. Yes.

The CHAIRMAN. And a profit added of 10 cents would make \$3.85.

Mr. SANDERSON. Well, their profit has to come out of that figure, you understand. This is just the value of the mill product, and the market value of the wheat. We actually produced those products from this lot of wheat.

The CHAIRMAN. I would like to have you put in the record the number of pounds required to make a barrel of flour, and how many loaves of bread could be made out of a barrel of flour. The size of the bread, what is the weight? Eight ounces or 12 ounces or 16 ounces or what?

Mr. SANDERSON. To make a pound loaf I think on the average it would be fairly safe to say that three-quarters of a pound of flour would be required to make a pound of bread.

The CHAIRMAN. You add 25 per cent moisture?

Mr. SANDERSON. Yes. Three-quarters of a pound of flour for the pound of bread. We use 340 grams of flour, and we add to that the amount of water required to make a dough of proper consistency. That is determined by the feel of the dough in the hand, and we add water until the dough is of the proper consistency to handle, and the amount of water is noted on the record.

The CHAIRMAN. Seventy-five pounds of flour would make 100 pounds of bread?

Mr. SANDERSON. Yes; it ought to, and a little bit more than that, if it was as good as this. On the average, I would say that three-fourths of a pound of flour would be the amount used in a loaf of bread.

Mr. SINCLAIR. Mr. Sanderson, I notice that in the weight of your 100 pounds there of wheat that you ground the product exceeds the 100 pounds that you get out.

Mr. SANDERSON. Yes.

Mr. SINCLAIR. You say that is due to added water?

Mr. SANDERSON. Added water.

Mr. SINCLAIR. Could you tell what percentage of moisture was in the original wheat before it was ground?

Mr. SANDERSON. I have the record of that at home. I doubt if I have it here. It would be somewhere between 10 and 11 per cent. And when we milled it it contained 15 per cent.

Mr. SINCLAIR. Then it would not be near what the Federal standards require for grade No. 1; it would not be in excess, at least, of 13½ or 14 per cent of moisture?

Mr. SANDERSON. No, sir; it would be below that.

Mr. SINCLAIR. It would be below that?

Mr. SANDERSON. Yes.

Mr. SINCLAIR. Well, is that a fair average in the usual course of milling to get, say, 1 or 2 pounds more of the mill feed and flour out of 100 pounds than you have to start with?

Mr. SANDERSON. That would be a varying quantity, as much the same as the per cent of flour that you would get is a varying quantity.

Mr. SINCLAIR. It would vary?

Mr. SANDERSON. It would vary. Sometimes we have a loss. Some years we have a loss in almost every sample handled.

Mr. SINCLAIR. In other words, there would be less than 100 pounds out of 100 pounds of wheat?

Mr. SANDERSON. Yes; and then these mill products are less than 100 pounds.

Mr. SINCLAIR. What I want to get at is this: In milling of wheat about 15 per cent of moisture is brought out?

Mr. SANDERSON. About 15 per cent of moisture. Some mills have higher than that.

Mr. SINCLAIR. Some are higher than that?

Mr. SANDERSON. Yes.

Now, I have here another loaf of bread. This loaf of bread was made from this same wheat after the foreign material had been picked out by hand. There was not any foreign material in this. And it then graded No. 1 dark northern, weight 58.7 pounds per bushel, and 60.5 pounds after cleaning. We cleaned out 1.1 pounds of material. It gave us 69.3 pounds of flour, 29.8 of feed, and a gain of 0.1 of 1 pound. It had the same absorption as it had with the foreign material in it. Measured 2,400 cubic centimeters, or 50 cubic centimeters more than the other loaf. And I might say in passing here that that is within the experimental error, 92.5 points in color, and 92.5 in texture. And it gave 100 pounds of flour worth \$4.78, or 6 cents more than the wheat with the foreign material in it. The bushel value of the mill product is worth \$2.16, or 9 cents more than the other bushel. The difference between the value of the mill product and the higher price of the No. 1 dark northern is 39 cents.

Now then some of you gentlemen may think that the mouldy condition of these two breads is attributable somewhat to the foreign material that was in this wheat, and I will allow that. I will say that there might be some chance for moulds to grow in this flour, more so than in the other. There might be a possibility. The scientists can tell you more about that than I can. I am not a scientist.

The CHAIRMAN. Well, I take it it would depend on the character of the foreign matter, would it not?

Mr. SANDERSON. Certainly.

This loaf that I hold in my hand is represented in this line on the chart. It graded No. 4 dark northern, 58.1 pounds to the bushel, 59.5 clean, had 4 per cent of dockage. That cleaned out 6.65 pounds screenings, 67½ pounds of flour, 31 pounds of feed, 1.1 pounds of gain in milling.

It is rather unfortunate that we have all gains in this, because that is not always the rule. I don't know why that is so in these lots.

Mr. SINCLAIR. Some years the bran takes more moisture than others.

Mr. SANDERSON. Even this year we have had a number of samples that showed a loss. We have had such samples in this year's crop, and we have had a lot of samples that showed a gain, just as these. And I say that is a varying quantity just the same as your other mill products.

This had an absorption of 52.4 per cent; 2,550 cubic centimeters and 93 in color, 95 in texture, and gave 100 pounds of flour, worth \$4.86, just 1 cent below standard patent. Mill products worth \$2.15. The bushel of wheat was worth \$1.38, and the difference is 77 cents.

Now this will give you some idea of the color represented in 93. [Exhibiting loaf.] Here is the color represented in 96. [Exhibiting another loaf.] There is 3 points difference in the product between those two. This loaf is made from a standard patent flour made in one of our local mills in North Dakota, which we use as a check loaf.

Mr. SINCLAIR. The one you are speaking of, which sample of wheat does that represent?

Mr. SANDERSON. That represents No. 9 in that group of samples that Mr. McGovern showed.

The CHAIRMAN. What grade?

Mr. SANDERSON. No. 4 dark northern, graded down on account of foreign material.

Mr. SINCLAIR. This is the sample which Mr. McGovern presented, full of cockle.

Mr. SANDERSON. Yes; this is from sample No. 9 shown you by Mr. McGovern.

Mr. SINCLAIR. Now you are holding up the other sample of bread in comparison with this.

Mr. SANDERSON. I have got this only in this particular loaf where the foreign material was picked out. These samples represent just what you have in your hand there now, but cleaned on our cleaning machine.

Mr. SINCLAIR. The one you were comparing it with was one that had all the inseparable materials cleaned out?

Mr. SANDERSON. Yes; the one I was comparing it with was one that had all the inseparable foreign materials cleaned out.

The loaf I now hold in my hand is represented in this line on the chart; and represents sample No. 9 Mr. McGovern showed you; graded No. 3 dark northern spring, 57 pounds test weight, 58 after cleaning. Had 5 per cent of dockage. That cleaned out 5.72 pounds per 100 pounds. It gave 68.4 pounds of flour, 32.6 pounds of feed, and had 1.1 pounds gain. It had an absorption of 52.6, 2,330 cubic centimeter's volume, 91 color, 94 in texture. It gave 100 pounds of flour worth \$4.79. Value of the mill products, \$2.16. The market value of the wheat was \$1.51, and a difference of 65 cents.

Mr. SINCLAIR. I notice you say difference there. In each case that difference means profit, does it not?

Mr. SANDERSON. That difference means the difference between the market value of the wheat and the price that these mill products would bring sold on the market in the same four days in Minneapolis.

Mr. SINCLAIR. That would indicate that they would sell for a profit if sold on the market after milling?

Mr. SANDERSON. There is that much per bushel of difference between the price paid for the wheat and the value of the finished mill product.

On this chart the screenings are valued at \$6 a ton. The bran and shorts or mixed feed at \$19 a ton, and the flour at the value shown on the chart for each individual sample.

Now here are four samples of wheat that were graded down on account of light test weight per bushel. And while I am on this subject, if you will bear with me I would like to show you just what some of this light weight wheat will do.

We have been disputed somewhat, not publicly but privately, on the records that we have shown at the North Dakota Experiment Station. There is no authority that has come out and given us anything to disprove what we have shown in any publication that we have made, but they do come out once in a while and say that the records from the North Dakota Experiment Station can not be depended upon, and can not be duplicated in the commercial mill. I wish to say here that the commercial mill that can not duplicate the work that we do with our little mill at the experimental station ought to be ashamed of itself, and they ought not to call themselves commercial millers.

Now I have run both kinds of mill. I have run a commercial mill for 20 years before I went to the experiment station. I have been at the experiment station since the work started. My ideas of the grades of wheat grew on me before I went into the experimental mill, the same as they grew on all the rest of the millers, and I had my idea as to what wheat was worth, and I think that my record as a commercial miller will bear me out in this, that when I ran a commercial mill I kept my flour from that commercial mill, where I had authority to do so, running as even as any of the surrounding mills. I never had any trouble competing with any competitor. I have taken the flour off of the market, that was selling in competition with our own flour, where the consumer was paying as much as 50 cents per 100 pounds more for that flour, and sometimes got as good or better baking reports from the homemade flour than the outside flour would bring. That is a condition that the miller has to meet everywhere. The outside mill seems to have the advantage, and that is largely so in every place that I have ever run a mill, and especially so in North Dakota.

Now, then, these four wheats as shown on this chart were graded down on account of test weight per bushel. This wheat is No. 3 dark northern, weight 55 pounds, 56 pounds after cleaning. Had 5 per cent of dockage. We cleaned out $11\frac{1}{2}$ pounds of screenings. The clean wheat remaining gave 63 pounds of flour, 31.4 pounds of feed, and had a gain of nine-tenths of 1 pound in milling. Had an absorption of 52.6. The loaf volume is 2,605, the color is 95, the texture is 99. The value of 100 pounds of flour was \$4.96. The

bushel value was \$2.07. The market value of that wheat was \$1.51, and the difference 56 cents.

Mr. SINCLAIR. I notice Mr. Sanderson, that the volume there is higher than in the other test, the higher test wheats that you have shown us.

Mr. SANDERSON. There you have a comparison of color and volume.

Mr. SINCLAIR. Well, explain what is meant by volume. Tell us just what you mean there.

Mr. SANDERSON. The whole cubical content of that loaf. We put the loaf into a box of known cubical content and pour flaxseed around the loaf until the box is full. Then we measure the flaxseed that would be required to fill the box with the loaf. Then subtract the amount of flaxseed that is put in in order to fill up the cubical content of the box with the loaf in it, and you have the cubical content of the loaf.

Mr. SINCLAIR. You mean that it has more rising power? That there is more rising power in the flour?

Mr. SANDERSON. Yes.

The CHAIRMAN. I suppose the yeast would give it the rising power.

Mr. SANDERSON. We use the same amount of yeast, the same amount of ingredients in the loaf, measured to a cubic centimeter or less; to a gram or a tenth of a gram.

Mr. SINCLAIR. The low test wheat then seems to have more volume than the high test?

Mr. SANDERSON. Well, that is what we have found right along, ever since we have been working with wheat at the North Dakota Experiment Station. The highest and best loaf of bread—that is, in volume—we find in wheat of 54 to 57 pounds.

Mr. SINCLAIR. Is that because it contains more gluten and less starch, or the reverse?

Mr. SANDERSON. The quantity of gluten does not always indicate the volume of the loaf. The amount of gluten on the average indicates that quantity has something to do with it, but we have had very high gluten content wheat that made a loaf of bread no higher than that [indicating about two-thirds of the height of the loaf exhibited]. Less than 2,000 cubic centimeters.

Now this is No. 4 dark northern as represented on the chart; 54.4 pounds test weighs 56.5 pounds after cleaning. Four per cent of dockage. Cleaned out 5.23 gave 69.7 pounds of flour, 29.5 pounds of feed, and 0.4 pounds gain in milling. Had an absorption of 56.2 per cent.

Now, you see that that flour is very much higher in absorption than the other, and of course that adds to the value of the 100 pounds of flour. This is also high in volume; 2,805 cubic centimeters, 94 in color, 98 in texture. And it gives 100 pounds of flour worth \$5 per 100 pounds. A bushel value of mill products of \$2.11. The wheat was worth \$1.38, and a difference of \$0.73.

The CHAIRMAN. That is the difference between \$2.11 and \$1.58, is it, the milling value, or the market value?

Mr. SANDERSON. The value of the mill product is \$2.11. The market value of the wheat was \$1.38.

The CHAIRMAN. And the \$1.38 and the \$0.73 makes up the \$2.11; is that it, Mr. Sanderson?

Mr. SANDERSON. Yes, sir.

The CHAIRMAN. Very well. You spoke of market value. Where? Market value at the home market?

Mr. SANDERSON. At Minneapolis.

The CHAIRMAN. Minneapolis?

Mr. SANDERSON. Yes; and these wholesale prices of mill feed and flour are also quoted in Minneapolis, and taken from the North-western Miller.

The CHAIRMAN. The \$0.73 less the cost of manufacture, would represent the profit, would it?

Mr. SANDERSON. Would be the profit; yes, sir.

The CHAIRMAN. Let us figure that out. You say 75 cents, there would be 73 cents profit?

Mr. SULLIVAN. About four times that.

Mr. SINCLAIR. That is only a bushel, you see.

The CHAIRMAN. Well, it would be that much on a bushel; 73 cents profit on a bushel.

Mr. SULLIVAN. No; you are taking 75 cents; you ought to take one-quarter of 75 cents.

Mr. SANDERSON. Four bushels and two-thirds of this wheat was required to make a barrel of that flour. And showing a gain of \$0.73 a bushel.

The CHAIRMAN. Figure it out.

Mr. SINCLAIR. Do you say four and three-quarters bushels?

Mr. SANDERSON. No; four and two thirds bushels, and \$0.73 per bushel. I don't think 75 cents per barrel is enough for the cost of manufacture at the present time.

Mr. SINCLAIR. That would give a profit of \$3.40 on a barrel.

The CHAIRMAN. On a barrel of flour?

Mr. SINCLAIR. Yes, sir.

The CHAIRMAN. That does not seem possible.

Mr. SANDERSON. Well, that is what it figures out.

Now, Mr. Haugen, this is exceptionally good, but I just brought these four loaves along to show you the possibility of low-weight wheat, and in 1916 we had a lot of low test weight wheat, and we found the maximum value, the maximum color score in what went on the Minneapolis market from our local elevator graded "C" feed wheat.

The CHAIRMAN. You say 4 per cent dockage, and you cleaned out 5.23. You cleaned out more than you took out.

Mr. SANDERSON. We cleaned out 1.23 pounds more than the inspector showed. Now then, of course, this is light-weight wheat.

The CHAIRMAN. What inspector?

Mr. SANDERSON. The North Dakota State inspector.

The CHAIRMAN. How does your State inspection compare with the Minnesota inspection, or the Federal inspection?

Mr. SANDERSON. Well, I think they compare very favorably. They have been checking against each other and they are trying to run just as near together as possible, and I think they are succeeding fairly well. I think they are succeeding just as well as your Federal supervisors.

The CHAIRMAN. The rules of North Dakota and Minnesota are the same.

Mr. SANDERSON. Yes, sir.

The CHAIRMAN. Well, they are really inspected under Federal inspection?

Mr. SANDERSON. Yes.

Mr. SULLIVAN. They are all under Federal inspection.

The CHAIRMAN. I wanted to make that clear.

Mr. SINCLAIR. You say those are usual grades. We get many of those grades every year?

Mr. SANDERSON. Yes.

Mr. McGOVERN. Didn't one of those samples come from Lowman?

Mr. SANDERSON. Yes.

Mr. McGOVERN. We did not select samples, though. They were samples that we took out of the elevator.

Mr. SANDERSON. They were samples that came right out of an elevator; yes.

Mr. McGOVERN. Wheat that had come in.

Mr. SANDERSON. Yes.

Mr. SINCLAIR. We really are liable to get samples of that kind almost any year, are we not?

Mr. SANDERSON. The commercial miller can make his milling and baking test the same as I made this, and he can pretty nearly tell, after he has made a few, where he has to go for his wheat of the factor of quality that he wants.

The CHAIRMAN. Are you grinding on a large scale? Do you buy in carload lots?

Mr. SANDERSON. No, sir.

The CHAIRMAN. Just samples?

Mr. SANDERSON. Just samples. All of these loaves of bread were made from flour taken from 1,500 grams of clean wheat. One thousand five hundred grams of clean wheat is about 3 pounds.

The CHAIRMAN. You take the sample from the car before it is shipped?

Mr. SANDERSON. We do; yes.

The CHAIRMAN. Yes. And you grind it into flour?

Mr. SANDERSON. Yes.

The CHAIRMAN. And then you have the reports on the inspection?

Mr. SANDERSON. The inspector grades it; the sample then is handed into the mill.

The CHAIRMAN. You say the inspector. You mean to say the inspector where it was shipped, or at the terminal market?

Mr. SANDERSON. These samples came through our inspection department to me. These were sent in for a grading, and they were graded.

The CHAIRMAN. They were sent in for grading from where?

Mr. SANDERSON. From the farmers, coming to the elevator.

The CHAIRMAN. Where were they sent in for inspection and grading—to Minneapolis or to Fargo or where?

Mr. SANDERSON. To the North Dakota inspection department.

Mr. SINCLAIR. For State inspection at North Dakota.

Mr. SULLIVAN. Mr. Sanderson, I would like to get a little information about some of your figures. The cleaning that you did, did you take out any foreign material?

Mr. SANDERSON. Some.

The CHAIRMAN. And you took it out with common machinery?

Mr. SANDERSON. Very common machinery?

The CHAIRMAN. And most commercial mills have—

Mr. SANDERSON (interposing). I would not undertake to run a commercial mill with the light equipment that I have. I will tell you what I have got, gentlemen. I have an Emerson wild oats separator, and I can run the wheat over that as many times as I please. Of course, it is not necessary to run wheat over an Emerson kicker more than twice, I don't think. You might possibly take a little something the third, fourth, or fifth time; but twice, you usually take out all that the Emerson kicker is capable of getting out.

Then I have a scourer that is a duplicate of the scourer used in the ordinary commercial mill, which consists of a shaft running through with beaters attached to the shaft. A perforated case surrounds those beaters. The wheat drops into that cylinder, the beaters throw it violently against the case and scour off any foreign material that might be sticking to the grain, and when the wheat is passing out of the machine it is subjected to an air current which is under control of the operator, and he can make that air current strong enough to lift out a grain of wheat. On some of those scourers you can lift out whole wheat grains that would compose a bushel of 60 pounds test weight. Very few of them have that strong a draft because they are followed by a dust collector which impedes the strength of the air current; but that air current is under the operator's control, and he can use a current strong enough to lift out anything lighter than a kernel of wheat that was in the wheat or that was scoured off the wheat. On a wheat like this he can not use a very strong air current, because many of the kernels in light-test wheat are very light, and he will lift them out. They have some flour in them, and, of course, we aim to clean this wheat and save as much wheat at least as the ordinary commercial miller would do. I have used the same judgment in cleaning wheat in the experimental mill as I used in a commercial mill where I had to account for everything that came in.

Mr. SINCLAIR. You do not use ordinary separators.

Mr. SANDERSON. I have not a separator except an Emerson kicker.

Mr. SINCLAIR. Then, any average commercial mill has all of the machinery you have in a cleaning mill plus more special machinery?

Mr. SANDERSON. No; the commercial miller—I don't know of any of them that use the Emerson kicker or oats separator.

Mr. SINCLAIR. They must use as good machinery.

Mr. SANDERSON. The small seeds are screened out and the large seeds are retained.

Mr. SINCLAIR. Those machines will separate dockings and screenings much faster than an Emerson kicker?

Mr. SANDERSON. Yes; and they are much easier on themselves. An Emerson kicker would probably have to be renewed in a commercial mill more frequently than some other types of cleaning machines.

Now, this is the last loaf, and if you want me to go over this record I will do so. I do not hardly think it is necessary.

The CHAIRMAN. I beg your pardon.

Mr. SANDERSON. I say, is it necessary for me to go over the record with this last loaf?

The CHAIRMAN. No; I think probably you have covered it very well. Have you an extra copy of the table like that.

Mr. SANDERSON. We can furnish you a table like that.

Mr. SULLIVAN. Is that all, Mr. Sanderson? You have got samples of flour there.

Mr. SANDERSON. Well, the flour, unless it is experienced people looking at it, would not mean anything. If there are any questions I will answer them as far as I can.

Mr. SULLIVAN. Mr. Chairman, I notice there is a representative of the Bureau of Markets here. A good many statements have been made here that may be challenged later and if any questions are to be asked of Mr. Sanderson, we would be very glad to have them ask them now.

The CHAIRMAN. Yes. Anybody is at liberty to ask any questions they desire.

Mr. SULLIVAN. If there are no questions, that is all, Mr. Sanderson. On the question of the separable character of this foreign material I did not know but what there might be some questions.

The CHAIRMAN. There is a gentleman here that has that in charge.

Mr. SINCLAIR. I have just two questions I would like to ask. Mr. Sanderson, it is shown there in your statement that in the process of milling there is a considerable profit in each bushel. Now, I want the committee to remember, as well as Mr. Sanderson, that ordinary elevators in buying this wheat and grading it, as shown by Mr. McGovern's testimony, that there is a profit running from 10 to 47 cents per bushel in buying the wheat, or grading of it, in addition to the profit that Mr. Sanderson shows by the process of milling. That is true, is it not.

Mr. SANDERSON. That is true.

Mr. BENDIXEN. That is, you base the profit of the flour on the actual market value of the wheat?

Mr. SANDERSON. I would not go on record as saying that is profit. I say the difference between the value of the wheat bought on the market and the value of the mill products from that same wheat sold on the same market.

Mr. BENDIXEN. Exactly; but the price that is set down on your wheat is the actual market value of the wheat.

Mr. SANDERSON. That is the actual value of the sales by cars sold on the Minneapolis market and reported in the market record for the four days, June 15, 16, 17, 18, 1921.

Mr. BENDIXEN. Then, in addition to that profit the miller makes, there was a fixed profit, according to Mr. McGovern's figures, made on the wheat by somebody.

Mr. SANDERSON. By somebody.

Mr. SULLIVAN. Mr. Chairman, to put that in another way, Mr. Sanderson's testimony relates to the market value of the wheat at Minneapolis as distinguished from the sale price to the farmer at the primary market—the price he gets—so that the middlemen between the farmer and the miller have their profit yet to be considered aside from that.

The CHAIRMAN. Now, then, as a miller, if you were in the business for making money, you would advise under the second column, "Dark northern," the profit there is \$1.15, and the other is only 51; the one at the bottom, what is that?

Mr. SULLIVAN. \$4.61.

The CHAIRMAN. Sixty-one?

Mr. SANDERSON. I would have to know, Mr. Haugen, what kind of bread that particular wheat would make before I would want to say.

The CHAIRMAN. If you had made the bread, you would know what kind of bread it would make.

Mr. SANDERSON. After I had made the milling test I would not be afraid to say.

The CHAIRMAN. There would be more profit in that?

Mr. SANDERSON. Absolutely; if I could buy it on the Federal standard or any other standard, perhaps I would have more profit in that kind of wheat.

The CHAIRMAN. Do you mean the Federal standard should be changed?

Mr. SANDERSON. I do.

The CHAIRMAN. What do you suggest?

Mr. SANDERSON. I suggest a shortening of the number of grades. If we go back into the market records before the Federal standards were adopted, I do not think you would have any trouble in proving that the Federal standards have increased the difference between the high-grade wheat and the low-grade wheat without adding what is called a premium on the high-grade wheat. Now, then, a miller has the same chance to buy wheat and pay a premium for it if we put the lower test wheat per bushel at 57 pounds that he has if we put it at 58 or 60. The object in putting it at 57 pounds is that it will measure our wheat some years so close that we will have very little of No. 1 wheat, but we are satisfied to put it at 57 pounds, because we believe that at 57 pounds we have really a better wheat in the majority of cases, I will say, than we will have if it were 61 pounds, as a bread-making wheat.

Mr. SINCLAIR. That is one thing, you would shorten the grades?

Mr. SANDERSON. Shorten the grades and reduce the number of grades, because the number of grades make it so that the Federal standards are absolutely impossible of application at the country elevator. We have a chart here that will show that.

Mr. SINCLAIR. What other remedy would you suggest?

Mr. SANDERSON. I would suggest to reduce the subclasses to two. I am allowing two because I believe that it is no more than right that we should do that, for in a good many years it is an advantage to the miller if he could have the wheat separated in those two subclasses, because in the northern subclass he can naturally look there for good color; in the dark northern subclass, if it takes in all the dark northern grades of wheat, he can naturally expect volume, two factors that are taken note of by both the housewife and the baker.

The CHAIRMAN. How many subclasses are there?

Mr. SANDERSON. At the present time there are six in the two types of wheat.

The CHAIRMAN. You would reduce that to two?

Mr. SANDERSON. To two in each class, red spring two and durum two.

The CHAIRMAN. And how many subclasses?

Mr. SANDERSON. Four.

The CHAIRMAN. You have six and you would reduce that to four subclasses?

Mr. SANDERSON. I would reduce that to four subclasses.

The CHAIRMAN. And the grades you would reduce in number to how many?

Mr. SANDERSON. From five at the present time to four in each subclass.

The CHAIRMAN. In each subclass?

Mr. SANDERSON. In each subclass.

Mr. SINCLAIR. What would you say as to dockage?

Mr. SANDERSON. I have always contended, and contended before the Bureau of Markets whenever I had a chance, that all foreign material other than wheat should be classed as dockage.

The CHAIRMAN. Wheat should not be graded down on account of having foreign material in it?

Mr. SANDERSON. To grade wheat down on account of having foreign material in it is wrong in my opinion.

The CHAIRMAN. What have you to say about moisture?

Mr. SANDERSON. The moisture contents of wheat, I think if the Bureau of Markets had not gone into it and made a specific statement there that we could have gotten along just as well as we did before Federal standards were adopted. We had a kind of general statement that dark wheat would grade tough, and so on. In my judgment if a man is put in an elevator to grade wheat and can not tell whether wheat is too tough by putting his hand in it, that man is too inexperienced to buy wheat. We were told in the hearing before the Secretary of Agriculture that the trouble with North Dakota was that we did not have a man in North Dakota who was capable of buying wheat. That man was Mr. Shanahan that made that remark, and by the way he had charge of the office of grain standardization when it was created.

Now, with all due respect to Mr. Shanahan—I can say this, that he is a fine man—his experience has been gained at the terminal elevator and he has got his viewpoint entirely from the grain trade's side of this question and he is without experience rubbing up against the actual conditions that we have existing in North Dakota; and I say also that the millers in this country are standing in their own light if they want to continue to have red spring wheat to mill. If they insist on reducing the price that they are willing to pay for wheat based on its actual milling value so that they are putting the farmer in a position where he can not afford to raise the wheat at the price they are willing to pay—regardless of who sets those prices—I say that the miller at Minneapolis ought to be just as vitally interested in the price that we can secure to our farmers, as long as we are not asking more than the wheat is actually worth, as we are. They are standing in their own light if they are not willing to come across and do that very thing.

The CHAIRMAN. Who is benefiting by this system of inspection?

Mr. SANDERSON. By the Federal inspection?

The CHAIRMAN. Yes.

Mr. SANDERSON. The grain trade and the miller that has the privilege of going into the markets like Chicago, Minneapolis, Duluth, or Omaha, or any of the big markets and buy his wheat very largely on sample.

The CHAIRMAN. You mean by the miller the man who goes around to buy the wheat on the sample?

Mr. SANDERSON. Who buy the wheat on the sample entirely. The Minneapolis miller does not buy a bushel of wheat because it is of any particular grade but because it has the quality he requires. He does not care a rap about the grade it is; he goes there and he sees the wheat he is going to buy and he sees whether or not that wheat has the quality desired for the flour he wants to produce.

The CHAIRMAN. The country miller that buys by the grade generally gets the lower grade?

Mr. SANDERSON. He gets just what the local elevator man might ship to him that will come up to the grade he buys.

The CHAIRMAN. Do they not place orders for a number of carloads of wheat of a certain grade?

Mr. SANDERSON. If they went down on the Minneapolis market and bought on that sample they would not get that sample of wheat; they would simply get that grade of wheat and it would come from some local elevator whose headquarters were perhaps in Minneapolis and they would ship that wheat to that man of that grade and it would make not any difference to him as long as the grade was up to specification, he would have no way to reject it.

The CHAIRMAN. You mean if it was shipped direct from the local elevator to that mill?

Mr. SANDERSON. Yes, sir.

The CHAIRMAN. If an order were placed with a man——

Mr. SANDERSON (interposing). Yes; he would have to take it.

The CHAIRMAN. How would it have to be graded? In going through Minneapolis?

Mr. SANDERSON. The only way that could be graded would be for the elevator man to submit a composite sample to the Minnesota Inspection Department.

The CHAIRMAN. Who suffers the loss?

Mr. SANDERSON. Who suffers which loss?

The CHAIRMAN. The loss owing to this inspection?

Mr. SANDERSON. There is no question who suffers the loss. There is the price that the farmer gets, there is the price that the miller can get for his product. [Indicating on the chart.]

The CHAIRMAN. Well, but you say the miller buys on sample. You have competition of a lot of millers.

Mr. SANDERSON. You will see by Mr. Palmer's talk what the present price on the grade is.

The CHAIRMAN. How does it come that the farmer suffers the loss?

Mr. SANDERSON. The farmer suffers the loss between the card price that he sells his wheat on and what the terminal market pays for it.

The miller does pay the amount over what the wheat is worth, it is a premium. However, if he does not pay more for the wheat than the milled product will bring plus a fair profit, then he does not pay any premium, does he?

The CHAIRMAN. No.

Mr. SULLIVAN. There is a factor that comes in between the miller and the miller's market and the primary purchaser, that is, the mixer element, that is not being considered by Mr. Sanderson. That is a factor that is very important, because the mixers will take grades of one, two and three, a whole lot of them, and when he comes to turn them on the market in Minneapolis they will be No. 1.

The CHAIRMAN. But the mixer comes in contact with the miller, doesn't he?

Mr. SULLIVAN. Perhaps he does.

Mr. SANDERSON. There is competition on the terminal market and that is about the only place we get anything back to the producer.

The CHAIRMAN. Minneapolis, do you call that a terminal market?

Mr. SANDERSON. Yes; I call that a terminal market. The primary market I consider is the local elevator in the country. From my point of view I would consider Minneapolis a terminal market.

The CHAIRMAN. It is so far as it is consumed there by the millers.

Mr. SANDERSON. Yes; and the wheat going out of Minneapolis under any grade, or any grade system that we might evolve can hardly be expected to be as good milling quality as the wheat going into Minneapolis because we have trained men buying all the wheat they want on that market. Now that is their privilege. That is a privilege they have that is an advantage to them and they have a perfect right to that on account of their favorable location.

STATEMENT OF MR. W. C. PALMER, STATE INSPECTOR FOR NORTH DAKOTA.

Mr. PALMER. Now, of course we have gone over a good many of the things I want to present here. We have gone over the matter and all of us know how the wheat is sold on the board of trade. When I speak of the terminal markets you know what I mean, and we know that wheat is put out in pans the same as we have here, and when that wheat is put on the market there the buyer goes in and he looks it over and he decides what it is worth to him as a miller of wheat and he makes a bid on it, and he doesn't pay any attention to grade. In other words, he does not care about grade. The thing he wants is wheat that will mill. I have taken the sales here for four days on the Minneapolis market, and the reason I happened to take these four days is because they were the last four days available on the June chart. In other words, June 15, 16, 17, and 18, those last four days in last week; now this is the actual market record of what happened there in that Minneapolis market. For instance, on June 15—these are cash sales, carload lots and cash sales—No. 1 dark northern brought \$1.89 $\frac{1}{4}$ high a bushel; the lowest sold for \$1.62 per bushel. In other words, there was a difference there of 27 $\frac{1}{4}$ cents. Here is the average, \$1.75; average closing cash \$1.62 $\frac{1}{4}$. Just how that was arrived at, you remember that was asked Mr. McGovern and he could not give that. Neither can I. Maybe some of the Minnesota gentlemen can. But this is the basis which the farmer is paid. This happens to be \$1.50 $\frac{1}{4}$, because the closing is lower than what the lowest carload sold for.

Mr. SULLIVAN. Right there, that price is the closing cash price put on the card and sent out to all country buyers for the next day's buying?

Mr. PALMER. Yes; of course, remember, as they are sent out to those country points, the freight and everything is deducted.

Well, then, on June 15 we find of the No. 2 dark northern spring the highest carload is \$1.89; the lowest, \$1.55; the difference is 34 cents; the average closing cash is \$1.50 $\frac{1}{4}$. In other words, the closing cash here is 4 $\frac{1}{4}$ cents less than what the lowest carload sold for. In

other words, the farmer here was not given as much as even the lowest brought.

We will go to No. 3 on the same day. The opening price brought high \$1.75 $\frac{1}{2}$; the lowest price was \$1.35, a difference of 40 $\frac{1}{2}$ cents; closing cash is \$1.44 $\frac{1}{2}$. In this case the closing cash is 9 cents above what the lowest carload sold for; still it is a good deal below what the average of all the carloads brought. It is 7 cents below what the average of all the carloads brought. And this same thing goes through all these days.

Mr. SULLIVAN. Before you go further there, I would like for you to call the committee's attention to the fact that No. 2 sold on the same day for \$1.89 and No. 1 sold for \$1.62 on the same day; that on the same day No. 3 sold for \$1.75 where No. 2 sold for \$1.55 and No. 1 for \$1.62.

Mr. PALMER. The other chart brings that out perhaps a little plainer.

Mr. SULLIVAN. That same chart you have there brings it out as plain as anything I can see.

Mr. PALMER. It brings it out.

Mr. BENDIXEN. What makes that price?

Mr. PALMER. We do not know how, but that is the price it brings the farmer.

Mr. BENDIXEN. You get the lowest price that day in one column, and you have the closing price in another column, of \$1.50 $\frac{1}{2}$.

Mr. PALMER. That may be for one day. The lowest carload was \$1.55. Here we have another case on June 16, the highest carload brought \$1.93 $\frac{1}{2}$, the lowest \$1.66 $\frac{1}{2}$, difference 27 cents; closing cash \$1.60 $\frac{1}{2}$, where the lowest carload sold for \$1.66 $\frac{1}{2}$.

Mr. BENDIXEN. What I mean is, what made that closing price?

Mr. PALMER. I do not know. It is made by a committee down in Minneapolis, and what basis they work on I do not know.

Mr. SANDERSON. Is not that the closing price when the market closes at the closing hour?

Mr. SULLIVAN. Is there anybody here who can tell what that is, while we are talking about it?

Mr. ZIESMER. You mean the option price or cash price?

Mr. PALMER. This is all cash price.

Mr. ZIESMER. What that is based on I could not tell you. I know they have a committee for coarse grain and a committee for wheat, by which settlements are made and they fix the closing price on that.

Mr. SINCLAIR. Those settlements are very different transactions that have been made in the past and come up to this date for settlement, though there is simply an arbitrary price, as I understand it, that they decide that they can pay so that there will not be any damage or any loss.

Mr. ZIESMER. And then they have what they call a pit, you know, of the put-and-call market following the close of the actual market. The indications may be that the wheat will be down the next day 2 or 3 cents, and they will sell call for call, and they sell it at 2 or 3 cents less than the market closing, anticipating a drop the next day in wheat, and those things are all taken into consideration, and the committee fixes the closing price. What that closing price is intended for I do not know, because they have changed their methods so often.

Mr. SULLIVAN. It is that closing price that forms the basis of the price card that goes out into the country?

Mr. ZIESMER. I would not say as to that.

Mr. McGOVERN. Another phase of that closing price is this: That closing cash price there remains until the opening market the next day. No member of the chamber of commerce is allowed to pay more than that closing cash price fixed there for that grain. He is bound by that closing cash price, and he is not allowed to pay more than that up to the time that the market opens. It is to govern the members of this chamber as well as the card. I do not know whether the card is based on that or not, but it is to govern the members during those hours. They might want to buy grain out in the country.

Mr. ATKESON. Is that part of their rules?

Mr. McGOVERN. Yes, sir. You will remember some years ago the Dixon seed house wanted some seed for spring. They sent out a card to the country elevator companies offering 2 cents over the closing cash price. They were fined. The Dixon Co. was fined and their membership revoked. That happened some years ago. I do not know whether they are members now or not. They had some two memberships on that board at that time, and they were canceled and they were fined.

Mr. ZIESMER. Mr. Sheffield, with the Dixson people, is still a member, but whether the firm is a member I do not know.

Mr. McGOVERN. That is my understanding of that closing cash price.

Mr. PALMER. Now, then, all I know about it is here is a daily market record published in Minneapolis, and this is sent out daily, and here we have the official closing cash grain price, and those are the ones I have here in this column.

Mr. SULLIVAN. Do the newspapers you have in your hand contain the information you have on that chart?

Mr. PALMER. Yes, sir.

Mr. SULLIVAN. Leave that with the committee.

Mr. PALMER. It takes several of them to give that information.

Mr. SULLIVAN. I think it would be a good idea if you have all of those papers here to leave with the committee.

Mr. PALMER. I can leave them with the committee. There is the paper for the 17th.

Mr. SULLIVAN. You can do that later.

Mr. PALMER. Well, now, I do not know as it is necessary to go any further with this. I would like to take up the other chart for a few minutes. These figures in these columns here represent the number of carloads. This red line here represents the closing cash. These figures over here [indicating] represent, for instance, there is \$1.90. The figures above here indicate that closing sale over \$1.90, and many figures between the next two lines indicate the sales for over \$1.80. Now, if you go back here to June 15 again, why we find that of the No. 1 dark northern spring 15 carloads sold over \$1.80, 5 carloads sold for over \$1.70, and 9 carloads sold for over \$1.60, while the closing cash is \$1.62. That is taken from this chart over here. Then we have the No. 2 dark northern spring, 3 carloads for over \$1.80, 6 carloads for over \$1.70, 2 carloads for over \$1.60, and 5 carloads for over \$1.60, closing cash \$1.50. And here we have No. 3, and you see the same as it is. Mr. Sullivan has just called your attention

to—here you will see we have a lot of carloads of No. 3 selling for a good deal less than carloads of No. 1, and here we have some carloads of No. 2 selling for more than carloads of No. 1. In other words, here is what it means. It means that the Federal grades place wheat of widely different values within the same grade. If the grade should do anything it should classify wheat on the basis of its value. But the fact that this wheat is graded No. 1 out of the country elevator is no indication of what it is going to bring down on the Minneapolis market. It may vary anywhere up to 30 cents.

Mr. SINCLAIR. Those tables indicate that they actually vary from about 22 cents to over 40 cents.

Mr. PALMER. The variation is from 27½ to 44½ in four days.

Mr. SINCLAIR. The grades actually mean nothing then in actual practice, do they?

Mr. PALMER. The grades do not mean anything down on the Minneapolis market. They do mean everything out on the farmer's market, because he is paid on the basis of whatever the wheat grades, and then when they go down on the terminal market they do not pay any attention. They look at the wheat in this pan and they see the grade. It may be No. 3 wheat, and if they want it they may pay more for it than they will pay for No. 1 wheat.

Mr. SULLIVAN. The point that you are making right now is the point that brings this committee down to Washington and is, as shown by the chart in a way that can not be understood, that wheat sells in Minneapolis on sample, sometimes on the same day No. 3 bringing more than No. 1, so that the grade does not enlighten the farmer out in the country anything as to what he ought to get for his wheat.

The CHAIRMAN. Now, then, according to that table, on June 15, isn't it?

Mr. PALMER. June 15, yes. This column here is 15 carloads sold between \$1.80 and \$1.90, that is No. 1, and 9 carloads sold between \$1.60 and \$1.70.

The CHAIRMAN. In the next column you have what.

Mr. PALMER. This is No. 2; three carloads of No. 2 that sold between \$1.80 and \$1.90.

The CHAIRMAN. Sold for \$1.80?

Mr. PALMER. Yes.

The CHAIRMAN. Just 20 cents above the price paid for No. 1?

Mr. PALMER. Yes.

Mr. SINCLAIR. In other words, you have nine carloads there of No. 1 that sold for less than three carloads of No. 2 on the same day?

Mr. PALMER. That is it, and these other two carloads of No. 3 that sold for more than nine carloads of No. 1.

Mr. SULLIVAN. The exact prices, Mr. Chairman, are shown on this chart right here [indicating].

The CHAIRMAN. How do you account for that?

Mr. PALMER. Simply that the grades are made in such a way that they do not put wheat of a certain value together. In other words, the grades did not put that wheat as it belongs, and that is what we are trying to get at, is to get a grading system that will put the wheat where it belongs in value.

The CHAIRMAN. What do you suggest as to change?

Mr. PALMER. The changes we have been talking about, Mr. McGovern, Mr. Sanderson, and all of us have been heading in that direction—I don't suppose we can get a grade that will be exact until we get down on a basis of milling value, and we are going to get there before very long, but we can get grades that will come a good deal nearer to it than what we have at the present.

Mr. SULLIVAN. Take that sample on June 15 that sold for \$1.89 $\frac{1}{2}$, and take this last sample that sold for \$1.62.

Mr. PALMER. Yes.

Mr. SULLIVAN. If that instead of being designated as merely No. 1, if the facts which made that No. 1 which sold for \$1.62, were indicated on the grade, on the card by saying so much dockage or so much moisture, or so much foreign material, of such a character, and the facts relating to No. 1 that sold for \$1.89 were put down the farmer in the country would know what his sample of wheat ought to get if sold on a sample market. That is what we are trying to get at.

The CHAIRMAN. He has no way of knowing. That is the trouble.

Mr. SULLIVAN. No; because all the grader puts on it is No. 1, No. 2, No. 3, No. 4, No. 5, but what we want in addition to that is a certificate showing it is No. 1, No. 2, No. 3, No. 4, for what reason.

The CHAIRMAN. As a general thing a farmer has no way of ascertaining the grade of his wheat. He has to take the warehouse man's judgment.

Mr. SULLIVAN. Yes; but we want to give the farmer as nearly as we can the same information as to market value of wheat in Minneapolis as the man who looks at it and determines it. In other words, when a sample is sold for \$1.62 and \$1.89 both, the farmer is entitled to know why instead of being merely given a price of \$1.62, or being merely given a grade for his wheat.

The CHAIRMAN. Were these sales on that day?

Mr. PALMER. Actual cash sales.

The CHAIRMAN. It happened to have sold previous to that where the market was higher.

Mr. PALMER. I do not know in regard to that, but this is all cash sales and they are taken out of this publication here, and there is a record of every carload sold that day.

Mr. SULLIVAN. These are daily market records showing the information on those charts that I merely desired to put in the record.

The CHAIRMAN. How many of them?

Mr. PALMER. I have four papers here, if you want to take the four. I will tell you what might be just as well. I have photographic pictures of these charts, if you want to put them into the record.

Mr. SINCLAIR. That will put it more graphically before the committee if you will have just simply the boiled down charts.

Mr. SULLIVAN. I just want to give you the evidence of the information.

Mr. SINCLAIR. I move that the two charts may be incorporated into the record.

The CHAIRMAN. Without objection, it is ordered.
(The two charts referred to follow:)

Minneapolis market prices on wheat for June 15, 16, 17, and 18, 1921—Cash sales, carload lots (price per bushel).

Date.	Grade.	High.	Low.	Difference.	Average.	Average closing cash.
June 15	No. 1 dark northern spring.....	\$1.89 ¹	\$1.62	\$0.27 ¹	\$1.75	\$1.62 ¹
15	No. 2 dark northern spring.....	1.80	1.55	.34	1.69	1.50 ¹
15	No. 3 dark northern spring.....	1.75 ¹	1.35	.40 ¹	1.51	1.44 ¹
16	No. 1 dark northern spring.....	1.93 ¹	1.66 ¹	.27	1.75	1.60 ¹
16	No. 2 dark northern spring.....	1.92 ¹	1.51 ¹	.40 ¹	1.68	1.53 ¹
16	No. 3 dark northern spring.....	1.86 ¹	1.41 ¹	.44 ¹	1.56	1.42 ¹
17	No. 1 dark northern spring.....	1.92 ¹	1.62 ¹	.30 ¹	1.81	1.64 ¹
17	No. 2 dark northern spring.....	1.87 ¹	1.53	.34 ¹	1.68	1.57 ¹
17	No. 3 dark northern spring.....	1.75 ¹	1.35	.40 ¹	1.51	1.44 ¹
18	No. 1 dark northern spring.....	1.92 ¹	1.62 ¹	.30 ¹	1.77	1.53 ¹
18	No. 2 dark northern spring.....	1.89	1.55 ¹	.33 ¹	1.67	1.53 ¹
18	No. 3 dark northern spring.....	1.59 ¹	1.37 ¹	.22	1.46	1.41 ¹

Closing cash forms basis for paying farmer. Note that closing cash follows the lowest price paid quite closely, so that most of what the wheat brings above the low price does not go to the farmer. This varies from 1.2 to 44 cents per bushel on Nos. 1 to 3 dark northern spring for June 15, 16, 17, and 18, 1921.

The present Federal standards put wheat with this wide variation in price in the same grade so that when the wheat is sold by sample some of the wheat that grades No. 3 brings more than a good deal of the wheat that grades No. 1 and No. 2.

Table giving prices paid for wheat when sold by sample in the Minneapolis market—It shows that Federal grades put wheat of widely different value in the same grade—Figures in columns indicate number of cars.

Price.	June 15.			June 16.			June 17.			June 18.		
	1 D. N. S.	2 D. N. S.	3 D. N. S.	1 D. N. S.	2 D. N. S.	3 D. N. S.	1 D. N. S.	2 D. N. S.	3 D. N. S.	1 D. N. S.	2 D. N. S.	3 D. N. S.
	15	3	1	1	2	6	12	5	5	9	3	1
\$1.90.....	15	3	1	3	2	2	12	5	5	9	1	1
\$1.80.....	5	6	2	18	9	3	7	8	2	10	6	6
\$1.70.....	9	2	6	15	5	5	8	3	8	4	8	8
\$1.60.....	5	4	2	2	17	9	10	9	12	6	12	7
\$1.50.....	11											
\$1.40.....												
\$1.30.....		4							1			
\$1.20.....												
\$1.10.....												
\$0.90.....												

Italic figures indicate average closing cash price.

Note the wide variations in prices paid for wheat within the same grade when sold by sample. This shows how the Federal standards put wheat of widely different value in the same grade; in other words the grades do not adequately reflect milling value. Much of the wheat grading No. 2 sold for more than a great deal of that grading No. 1; and a good deal of the wheat grading No. 3 sold for more than that grading No. 1 and No. 2. The grade does not at all place the wheat in any definite place in the price scale.

Mr. PALMER. I might add that under the old Minnesota grades the farmer knew pretty well what his grade would bring. You could hardly fool a farmer on grades because he knew. It was a simple system. Now we have such a technical system that the farmer does not know. He has no idea. Here we have six subclasses, and here we have several grades and four different factors that will lower grade. The whole thing is so technical that it will take a man pretty well up to know where those grades go. If we could remove some of the grades it would do away with some of that. And one thing that has confused it more than anything else is the inseparable material.

The CHAIRMAN. Can't that question be settled, whether it is inseparable or not?

Mr. PALMER. I think it can. I don't see why we can not go back to what we used to do before.

Mr. SULLIVAN. What was that?

Mr. PALMER. Under the Minnesota system there wasn't any inseparable material. It was all dockage. That is what we want to do. Here is the way it works out. The farmer comes in, he knows—most of them have been in business long enough to know the Minnesota grades—he knows he has brought in No. 1 wheat and he comes into the elevator and the elevator man looks at it and he sees some kingheads. He says that is one grade more than No. 5, I will have to dock you 40 or 50 cents a bushel. In other words, here is 3 per cent of kingheads he is docking him down to No. 5, just about two pounds per bushel. That farmer knows he is going to clean those kingheads out. The farmer is paid for it but he gets 3 or 4 cents for those kingheads that he is docked 40 cents for. He knows that the man who buys that, or somewhere along the line, they are going to clean the kingheads out and they are going to sell it for No. 1 flour.

The CHAIRMAN. Here comes a carload of wheat, we will say, that has 10 per cent of good oats in it. You are in favor of docking that for 10 per cent.

Mr. PALMER. That is another matter.

The CHAIRMAN. That is the value of the oats?

Mr. PALMER. Yes, sir.

The CHAIRMAN. He should pay the price of wheat for the 90 per cent of wheat and the oats price for 10 per cent of oats.

Mr. PALMER. Yes, sir; and that is what we do in North Dakota..

The CHAIRMAN. That works out all right, does it?

Mr. PALMER. Yes, sir.

The CHAIRMAN. Who determines all of those things?

Mr. PALMER. Who determines?

The CHAIRMAN. Yes; the value of it. For instance, you have No. 2 wheat.

Mr. PALMER. Yes.

The CHAIRMAN. Worth \$1 a bushel.

Mr. PALMER. Yes.

The CHAIRMAN. And oats 25 cents, 10 per cent oats.

Mr. PALMER. Yes.

The CHAIRMAN. Does your law provide then that they shall pay them 25 cents for the oats and \$1 for the wheat.

Mr. PALMER. Sure; he has to pay whatever it is worth and they have got to pay for the dockage in our State. It has a value. In fact, those bulletin cards sent out to the elevators, they always have quotations on dockage the same as wheat and we know that dockage has a value.

The CHAIRMAN. The grain is sold subject to quotation on those cards?

Mr. PALMER. Yes, sir.

The CHAIRMAN. Well, that seems to be a pretty good proposition. Did you take that up with the department? What does the department say about that? Does this bill provide for that?

Mr. PALMER. No; we can not provide for that in this bill. That is our State law that provides for paying for screenings and all of that. In other words, it simply provides that the man shall pay me for what he buys.

The CHAIRMAN. Do they do it?

Mr. PALMER. Yes.

The CHAIRMAN. Law is one thing and practice is another.

Mr. PALMER. Yes; we enforce it as well as we can.

Mr. SINCLAIR. Mr. Palmer is the man that is charged with enforcing that law. They tell them to either pay the market price or return it to the farmer.

The CHAIRMAN. Are all of the elevators equipped with cleaning apparatus?

Mr. McGOVERN. We do not care which he does. We would rather have him return that to the farmer than to ship it out.

The CHAIRMAN. If he isn't equipped with machinery.

Mr. SINCLAIR. He would be bound to pay for it.

The CHAIRMAN. If he ships it to Minneapolis, does he get anything for that?

Mr. McGOVERN. I will tell you how they do that. The line elevator men may not have an elevator at every mill, but they will have one up here at the next town, and the farmers down here that insist on the return of that dockage, they ship it in one of these elevators and they return the dockage to them.

The CHAIRMAN. If it is shipped to Minneapolis, for instance, they are up against this vicious system. How do they come out, the shipper?

Mr. McGOVERN. They have a chance of cleaning it and selling the dockage.

The CHAIRMAN. Cleaning it at Minneapolis?

Mr. McGOVERN. Yes.

The CHAIRMAN. Can you have it cleaned before you sell it?

Mr. SINCLAIR. They do clean it, as Mr. Jacobson stated.

The CHAIRMAN. But you, as a shipper, if you ship a carload of wheat to Minneapolis and have it cleaned and then put on the market and sold?

Mr. McGOVERN. Yes, sir.

The CHAIRMAN. You pay for the cleaning?

Mr. McGOVERN. Yes, sir.

Mr. PALMER. Pay for the cleaning and sell the screenings.

Mr. McGOVERN. Last year was not a very high-priced market for screenings, but take it a year or two ago a farmer would make two or three hundred dollars on dockage.

The CHAIRMAN. Why do they not avail themselves of that?

Mr. McGOVERN. They are not equipped for it on the farms.

The CHAIRMAN. Well, how do they do it in Minneapolis?

Mr. McGOVERN. Well, they have all of the machinery and elevators.

The CHAIRMAN. I understood you to say a farmer in North Dakota can ship a carload of grain to Minneapolis and have it cleaned and put on the market and sold—wheat sold together and screenings sold separately.

Mr. PALMER. So much of our grain is sold at the time of thrashing. We all know that that is a rush time. We farm on a big scale up in North Dakota. We have those big wheat wagons and it is hauled

in and dumped into the elevator. A farmer has no storage capacity on his farm, and it must be sold quickly. He has no way of handling it except to dump it in there with the others.

Mr. SULLIVAN. Everybody's wheat is dumped together?

Mr. PALMER. Yes, sir.

Mr. SINCLAIR. That develops the idea you brought out in the other hearing, that the number of bins that the elevator is disposed to buy contains these 48 or 50 grades of wheat.

Mr. PALMER. Yes, sir. We sent out a questionnaire to our North Dakota elevators and the average number of bins to the elevator is 12, and I think we have larger elevators in North Dakota than any other State in the Union. Now, then, if the average of our bins is 12, they not only have to handle wheat, but they have to handle oats, flax, barley, and rye. And that means that the average number of bins left for wheat is six.

Now, here we have got six subclasses and we have got six grades in each subclass and in addition to the six subclasses we have got mixed wheat. Now, you see where we are. We have got six bins here, and we have these six subclasses and six grades in addition to handle.

Mr. SINCLAIR. And as a practical proposition those 48 or 50 different grades of wheat are all sold and handled through six bins, are they?

Mr. PALMER. Yes, sir.

Mr. SINCLAIR. And within just a few days?

Mr. PALMER. Within just a few days. Now, I want to add something about these screenings. Those screenings are ground up and put in the bran, and when we buy bran we are buying our screenings back, so that is really one of the things that fixes the value on screenings.

The CHAIRMAN. They have sold their screenings to the feeders.

Mr. McGOVERN. You will see a sack at a feed store marked "Screenings and shorts." There is a certain per cent of shorts mixed with this screenings. Those screenings may be this kinghead and all of this so-called foreign material. It is sold to feeders of cattle.

The CHAIRMAN. Without objection, the committee will stand adjourned until to-morrow morning, Tuesday, June 28, at 10 o'clock.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Tuesday, June 28, 1921.

The committee met at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

There were present: Mr. Haugen, Mr. McLaughlin of Michigan, Mr. Purnell, Mr. Voigt, Mr. McLaughlin of Nebraska, Mr. Tincher, Mr. Williams, Mr. Sinclair, Mr. Hays, Mr. Thompson, Mr. Clague, Mr. Clarke, Mr. Jacoway, Mr. Rainey, Mr. Aswell, Mr. Kincheloe, Mr. Jones, and Mr. Ten Eyck.

Mr. SULLIVAN. Mr. Chairman, I would like next to call Mr. Bendixen. Mr. Bendixen is a member of the House of Representatives of Minnesota.

STATEMENT OF MR. C. M. BENDIXEN.

Mr. BENDIXEN. Mr. Chairman and gentlemen of the committee, I wish first to extend my appreciation to the committee for their kind treatment which we received when we appeared here in behalf of the Tincher bill some two months ago, and I wish to congratulate the committee on the progress that bill has made.

Now, as Senator Sullivan has stated, I am a member of the legislative committee which was appointed by the Minnesota Legislature on account of the general demand for some modifications in the Federal grain grades. That committee was appointed to come down here to Washington and try to secure those modifications. As you perhaps already know, we appeared before the Secretary of Agriculture some two months ago and we left there, or at least I did, and I believe the rest of the committee also, under the impression that some modifications were to be made; but we learned that the Secretary had refused to make those modifications and that is the reason we appeal to the members of this committee and to Congress now for relief.

We believe we are very modest, Mr. Chairman and gentlemen, in our demands. We do not believe we are asking for anything unreasonable and I wish to say that when we appeared before the Secretary of Agriculture we were referred to by some representative of the millers as a bunch of politicians; and the statement was made that it was simply a matter that was worked up on account of its political effect.

I wish to say, Mr. Chairman, that I am a farmer. I am a real dirt farmer. While I have been a member of the Minnesota Legislature for a great many years—15 years I believe—still I find that between sessions I have got to go right back on the farm and dig in order to make my bread and butter. So I am here not only as a member of that legislative committee but I am here also as a real farmer, knowing, I believe, in a general way at least, the conditions of the farmers. I know their grievances. I know they are justified in asking for these changes.

These charts here will show the grades we have now which have been promulgated by the Bureau of Markets and will show that they are really no guide at all for the country buyer. They show that sometimes even No. 3 wheat is sold at a higher price than No. 1 wheat. We do not believe that is just to the farmer because he is the one who is the real sufferer. The buyers in the country, of course, under those conditions, will know by experience what may happen and will protect themselves. They will buy on a margin that they know will make them safe in the terminal markets, but the farmer is helpless. We farmers are asking for something by which we can be guided so that we may know whether we are receiving that which is justly due us or not. That is what we are asking, and we are asking that this foreign material, so called, shall be considered as dockage and that the grain shall not be graded down on account of these foreign materials.

The CHAIRMAN. In that connection, for the benefit of the members who were not here yesterday afternoon when the matter was explained, kindly point out where they paid more for No. 2 wheat than for No. 1.

Mr. BENDIXEN. Yes; if No. 1 wheat—

The CHAIRMAN (interposing). You have the figures right there before you.

Mr. SULLIVAN. I can read that. This chart shows on June 15 sales of No. 1, No. 2, and No. 3. These figures show the highest sales made for each grade, showing that No. 1 sold on that date for \$1.89 $\frac{1}{4}$, which was the highest price; No. 2, \$1.89; No. 3, \$1.75 $\frac{1}{4}$. The lowest prices for those grades, respectively, were No. 1, \$1.62; No. 2, \$1.55; and No. 3, \$1.35. As you see, No. 2 sold a great deal higher than the lowest of No. 1; in fact, it sold for 27 cents higher than the lowest of No. 1. No. 3 sold for \$1.75 $\frac{1}{4}$, while No. 1 sold as low as \$1.62 in the same market on the same day. The figures on the rest of this chart show a like situation.

Mr. SINCLAIR. Showing that the grades really mean nothing.

Mr. BENDIXEN. Here are nine cars of No. 2 that sold at a higher price than nine cars of No. 1 on the same day.

Mr. ASWELL. Was that during the same hour or was there a fluctuation in the market?

Mr. BENDIXEN. Of course, that was on the same day.

Mr. ASWELL. The price may have gone up or down in an hour.

Mr. BENDIXEN. That is probably true, but the fact remains—

Mr. SULLIVAN (interposing). There was no chance of that.

Mr. ASWELL. Does not the price fluctuate during the day?

Mr. SULLIVAN. Very little. It is because they buy and sell on sample in that market and the grade does not reflect the value at all.

Mr. ASWELL. How much fluctuation generally occurs?

Mr. SULLIVAN. You may have a fluctuation of 5 or 6 or 7 cents on the same quality, but that is a very unusual thing.

Mr. BENDIXEN. If you have a high grade of No. 1 wheat that contains 7 per cent of this foreign material, of course, that will be graded down on account of that foreign material, and still it may be a better quality of wheat than some other wheat that was graded No. 1, because it contains none of this foreign material; and that is the one essential point in this whole thing which we are asking you to rectify, because we believe that because of that one thing alone the farmers of the Northwest have suffered a loss, I believe, of millions of dollars.

Mr. CLARKE. Mr. Bendixen, right there, could the Secretary of Agriculture by regulation establish grades that would overcome the criticism you have?

Mr. BENDIXEN. Yes; most assuredly.

Mr. CLARKE. Without resorting to law?

Mr. BENDIXEN. Why, yes; if he would do it. If you gentlemen can prevail upon the Secretary to make these changes, of course, it will suit us just as well, absolutely.

Mr. TEN EYCK. If we should call him before us, and I understand we have asked him to come before us on this bill, and he should say that after going into the matter thoroughly and taking these things into consideration he would change it the way you wanted it changed, would you still feel that a law ought to be enacted or would you simply leave it to him?

Mr. SULLIVAN. We would prefer that. We would prefer that the Secretary of Agriculture do it, but he said he did not have the information. Now, we want to be perfectly kindly and respectful and every-

thing of that kind toward the Secretary of Agriculture, but our contention is that we are entitled to a man who will decide the matter on its merits.

Mr. TEN EYCK. I just wanted to see what your attitude was along that line.

Mr. SULLIVAN. We are perfectly kindly and all that sort of thing so far as everybody is concerned, but we want a decision on the merits.

Mr. CLARKE. Mr. Chairman, has any arrangement been made whereby these tables will be inserted in the record of the hearings?

The CHAIRMAN. Yes; that was ordered yesterday.

Mr. BENDIXEN. Now, Mr. Chairman and gentlemen, it was suggested here yesterday—

The CHAIRMAN (interposing). You refer to those two tables?

Mr. CLARKE. I think we should have all of them in the record.

The CHAIRMAN. What is that other table?

Mr. SULLIVAN. That is a table showing the average loss, according to the testimony of Mr. Sanderson yesterday, for the entire crop year.

The CHAIRMAN. That is a different table?

Mr. SULLIVAN. Yes.

The CHAIRMAN. Is it the desire of the committee that that table should be inserted in the record?

Mr. CLARKE. I so move, Mr. Chairman.

The CHAIRMAN. Without objection it is so ordered.

Mr. BENDIXEN. Now, Mr. Chairman, I started to say it was suggested here yesterday, I believe, by some one that this grain ought to be cleaned in the country; that this foreign material ought to be separated in the country, either on the farm or in the country elevator.

Now, I believe that would be impracticable, in the first place. I believe it is true that the majority of the farmers do not even have the grainery facilities for putting up the machinery necessary for separating all this foreign material, and neither have all the country elevators the room or the facilities for doing it. So that I believe as an economical proposition, it would be unwise to establish such a system whereby every farmer and every country elevator had to establish this expensive machinery where it would cost a great deal more to remove it than it would at the terminal markets where they are handling millions and millions of bushels and where they could do it on a large scale. Therefore, I do not consider, as a general proposition, it would be wise or economical, even if it could possibly be done, which I do not believe would be true. I do not believe the conditions in the country are such that it could be done there. There might be a farmer here and there who would have the facilities and could do it, but as a general proposition I do not believe it would be an economical process.

Mr. CLARKE. Let me get a picture of this entire matter a little clearer in my own mind. Here is a farmer with his wheat field out there and along comes a thrasher and that grain is threshed and sacked there. What is the next step ordinarily. I am speaking now of the ordinary farmer.

Mr. CLAGUE. It is not sacked at all. It goes right in the box loose and is not sacked.

Mr. CLARKE. In California they have a combination and I worked on one of those combines that cuts and threshes and sacks and drops the sacks off, and all you do is to go around and pick them up.

Mr. CLAQUE. Yes; and it might not rain out there for six weeks and it can stay out there.

Mr. CLARKE. But they go right along with trail wagons and pick it up.

Mr. SINCLAIR. Our grain can not be thrashed just as soon as it is cut. It must stand for two or three weeks.

Mr. CLARKE. That is true in my own State. We ordinarily sack it and then take it into the barns.

Mr. CLAQUE. But out there it ordinarily goes right into the wagon boxes loose.

Mr. BENDIXEN. That would be impracticable. Of course, while most of the grain is immediately hauled to the elevator, some of it, where they have granary facilities on the farm, is stored there.

Mr. CLARKE. And it is not sacked. It is all loose as it goes to the elevator.

Mr. BENDIXEN. Of course, where it is put into the wagon loose it is generally hauled immediately to the elevator. Where the farmer puts it into his own granary sometimes it is sacked and sometimes he has an elevator at his place and sometimes he has his own granary. That depends upon the financial condition of the farmer, and depends upon what facilities he has for storing his grain, and sometimes, I presume, it depends upon the way he feels as to how the market will act. If he believes the market is as high as it will be, he may haul it out immediately; but a great many farmers are so situated financially that they must haul it in, and I presume that will be the case this fall. I presume the majority of the farmers will be compelled, because of their financial condition, to haul it right into the elevator immediately from the thrasher.

As I have said, we believe we are justified in asking you gentlemen, either by law, or if you can induce the Secretary of Agriculture to make these changes, we believe we are entitled to them and we believe we are asking for nothing but what is just and fair. We believe the present system has worked an injustice to the farmer and has been instrumental in exposing him to a great loss, and that is the reason we appear here. As I say, I am appearing here in a dual capacity.

Mr. CLARKE. May I ask you this question: What efforts have your organizations made to prepare a brief and submit it to the Secretary of Agriculture—we will say, the former Secretary of Agriculture—stating your grievances in this matter and how they might be corrected?

Mr. BENDIXEN. I do not know that any formal briefs have been submitted. We presented our case there two months ago about as we have presented it here to-day. Previous to that we had for the last three or four years had meetings and made complaints about it, ever since the grades were promulgated, but we have never been able to secure any relief. This is what we consider our last resort—an appeal to Congress.

Mr. SINCLAIR. Even before the grades went into effect they were opposed in resolutions adopted at meetings of farmers?

Mr. BENDIXEN. Yes, sir.

Mr. O'NEILL. Congressman Anderson, of the first congressional district of Minnesota, submitted a brief following the hearing before the Secretary of Agriculture, and some of us had a copy of that letter.

Mr. CLARKE. When was that?

Mr. O'NEILL. That was following the hearing before the Secretary of Agriculture.

Mr. ASWELL. That was put in the record yesterday.

Mr. BENDIXEN. Now, Mr. Chairman, I do not know that it is necessary for me to take up any more of the time of the committee.

The CHAIRMAN. You have some one here that will discuss the bill in detail and point out the suggested changes?

Mr. SULLIVAN. Yes, sir; that will be taken up later.

Mr. CLARKE. One minute, Mr. Bendixen, I would like to ask you a question right there. Apparently, you have had Mr. Steenerson prepare a bill?

Mr. BENDIXEN. Yes.

Mr. CLARKE. Now, that bill was not satisfactory to the men. What have been the differences and why was there a delay until this last minute in preparing a bill which recognized a straight line of demarcation between justice and injustice as to your proposition, we will say? Why has there been this delay? Is it on account of disagreement among yourselves as to what your grievances are? Is there something indefinite or intangible about this matter? I have waded very carefully through Mr. Steenerson's bill and I tried to get some information on the matter and I find out that Mr. Steenerson and you men are very widely apart on things, and now I find out that there is a new bill introduced, and I can not understand those things.

Mr. SULLIVAN. I would like to answer that question. The bill prepared by Mr. Steenerson was prepared by himself down here at Washington without consultation with any of the representatives from Minnesota or North or South Dakota.

Mr. CLARKE. But Mr. Steenerson is a farmer—

Mr. SULLIVAN (interposing). Just a moment. You want an answer to your question and I will give it to you and give it to you thoroughly. The differences that you speak of are differences in minor details of bookkeeping. They are not differences of principles at all. The great principles behind the bill is there and it was there to begin with—that we want a grade that will state the facts instead of stating a number, because the number does not mean anything. Now, that is the great thing we are here for, and that has been in the bill all the time. The representatives from the spring-wheat district are unanimously agreed, but we did not get here until Sunday and we did not have a chance to see what little changes of details should be made, such as the test weight and the percentage of one kind of wheat that should be allowed in the different classes; that is, whether it should be a certain percentage or another percentage. The differences were on just little changes like that and on the main principle they are all agreed. Now, that is the history of the bill.

Mr. CLAQUE. There is no difference in principle.

Mr. TEN EYCK. Let me ask you a question right there. Do you disagree materially with the present grading of wheat of No. 1, 2, and 3, as it is now graded, from the kernel standpoint?

Mr. SULLIVAN. No; only 1 pound, I think, in the test weight.

Mr. TEN EYCK. So you are nearly in agreement with the general standard as regards the grading of the wheat itself and your differences in the spring wheat lie to-day in the fact that they are lowering the grade of your wheat on account of foreign materials?

Mr. BENDIXEN. Yes, sir.

Mr. CLAGUE. That is it exactly.

Mr. TEN EYCK. And what you want is to have the wheat graded from a kernel standpoint.

Mr. BENDIXEN. That is correct, sir.

Mr. TEN EYCK. And a certificate showing the amount of foreign material in that wheat or the different kinds of dockage, and then have it graded.

Mr. BENDIXEN. Yes, sir; that is absolutely right.

Mr. TEN EYCK. And the price then will take care of itself.

Mr. BENDIXEN. Exactly. The wheat will then sell on its own merits.

Mr. ASWELL. May I ask Senator Sullivan a question? Does the Senator know whether the grain trade and the consumers are agreed on this proposition? What do they think about your bill?

Mr. SULLIVAN. The grain trade?

Mr. ASWELL. Yes; what do they think about your bill?

Mr. SULLIVAN. The grain trade, as I understand it, is divided. The buyers are with us; that is, everybody in the grain trade, as we understand it, except the millers, are with us. I may be in error about that, but if so it is for the grain trade to say so. As I understand it, the members representing the chambers of commerce have told us that they were with us. Mr. Ziesmer knows about that and can tell you about it.

Mr. BENDIXEN. Mr. Chairman, I am glad the gentleman from Louisiana has asked that question. It has been brought out repeatedly and it was openly stated at our hearing before the Secretary of Agriculture that the so-called grain trade had been the ones that had practically established these grades. Now, it seems strange to us, Mr. Chairman and gentlemen, that we as farmers, who are producing the wheat, who are furnishing the labor and the capital for that production, and who are assuming all the risk in the production of that wheat, should be disregarded as to how our own property should be sold and under what conditions, and that the millers and the grain buyers in general should be the only parties concerned in the proposition. Now, is not that strange, when, as I say, we furnish all the labor and all the capital and assume all the risk in the production. Then when we come to sell it some other party comes in and prescribes the rules under which our property shall be sold.

Mr. ASWELL. I agree with you.

Mr. BENDIXEN. And when we ask that these rules be modified somewhat in order to protect us, they say it does not suit the grain trade and therefore your request can not be granted. We feel that is unjust and unfair to us.

Mr. ASWELL. I agree with you heartily, but my thought is this, you have stated repeatedly that the farmers were not consulted at all by the Secretary of Agriculture.

Mr. BENDIXEN. I do not think so.

Mr. ASWELL. My question means this, would you not have a better law and would it not give more general satisfaction if everybody could at least be heard on the proposition?

Mr. BENDIXEN. Exactly. As to this particular matter, during the last session of the Minnesota Legislature we passed a joint resolution

requesting the board of grain appeals to reestablish the old Minnesota grades. The so-called grain trade then came to us and said: "This is going to complicate matters. You are going to have Federal grades on all grain that comes into Minnesota from outside of the State of Minnesota, or if it goes outside of the State it is interstate traffic and the Federal grain grades must apply, but if the shipment originates in the State of Minnesota and terminates within the State of Minnesota, then the Minnesota grades will apply, and that is going to complicate matters, and we wish you people would try to go down to Washington and have the Federal grades modified so that they will be satisfactory to the farmers, and we will be with you."

That is what we were told by their representatives, and when we came down here and appeared before the Secretary of Agriculture we were astonished to see the millers from Minneapolis right there objecting to everything that we asked for. That is what they did.

Mr. SULLIVAN. And what did the millers say? They said the farmers ought to raise better wheat.

Mr. BENDIXEN. Yes.

Mr. SULLIVAN (continuing). That they were going to make the grades so that they would compel the farmers to raise wheat without dirt in it. Now, that sort of a statement in America, to my mind, was about as startling a thing as I ever heard. It reminded me of the time when there was a revolt in Egypt because they did not have straw with which to make bricks. They were going to tell these farmers how to raise their grain.

Mr. CLARKE. It may be interesting to you, Senator, and possibly instructive, to know that the State of New York to-day, in my own dairy district, where I am one of the contributing members in the production of milk, goes around and inspects our buildings and our dairy herds, and our milk is graded on the cleanliness of all those buildings and all the rest of our equipment.

Mr. SULLIVAN. I might answer you by saying that we do that in Minnesota, and we have the best butter in the world.

Mr. CLARKE. As good, but not the best.

Mr. SULLIVAN. Well, I will let my statement stand.

Mr. BENDIXEN. But that is in order to protect the public health. There is no such question involved in this proposition at all. They are not similar by any means. We do not ask for anything that will be injurious to the public at all. We are simply asking a modification that will, at least in some degree, give the farmers justice without doing any injury to anybody. We are not asking anybody to pay for these foreign materials. We would simply like to have them classified by themselves and be deducted from the grain itself, and then have the grain itself graded and sold on its merits.

Mr. CLARKE. I think that statement is fair.

Mr. TEN EYCK. What, in your opinion, would be the difference in price between clean grain and grain with foreign matter in it? I realize that you are going to answer that that depends on how much foreign material there was in it; but can you make up in your own mind a little table of 3 per cent foreign matter, and 5 per cent foreign matter, and 8 per cent foreign matter, say, and what the difference in price of that grain would be on that basis?

Mr. BENDIXEN. I think that was illustrated very forcibly here yesterday by the samples that Mr. McGovern, from North Dakota, had here. He showed in one case that the difference in the price of a bushel of wheat was 41 cents. If this foreign material had been classified as dockage instead of reducing the grade, there would have been a gain of 41 cents on that 1 bushel. If you call it dockage, of course you simply reduce the weight or the quantity that much, and whatever the price of the wheat is, of course the loss will be just that much. If a pound of wheat is worth 2 cents and there are 4 pounds of dockage, of course there will be a loss of 8 cents.

Mr. TEN EYCK. That is what I wanted to bring out exactly.

Mr. BENDIXEN. But if you grade it down, as Mr. McGovern illustrated, there may be a loss of as much as 41 cents a bushel, and in that particular case, if the foreign material had been classified as dockage, the farmer would have been the gainer to the extent of 41 cents on that one bushel.

Mr. CLARKE. Have you examined this bill of Mr. Steenerson?

Mr. BENDIXEN. I have just read it over.

Mr. CLARKE. Is that bill satisfactory just as it is?

Mr. BENDIXEN. Yes, sir; so far as I know.

Mr. SULLIVAN. There are one or two little corrections in the percentages.

Mr. BENDIXEN. But no essential change.

Mr. SULLIVAN. No: they are not essential, and those changes will be explained.

Mr. BENDIXEN. As to that bill, I believe every one of you gentlemen have had experience in legislation and you know it is pretty hard for any Member of Congress or for any member of any State legislature to draft a bill of this nature and get it to suit everybody at the first draft. I know from our experience out there that when we have had a bill of a similar nature people come in and suggest changes in the bill and suggest amendments, and we grant those amendments. Now, that is the case here.

Mr. CLARKE. I want to explain my viewpoint. I am a new Member of Congress and a new member of this committee. I am attending the sessions of the committee faithfully. I am taking the hearings they have had on the bills that have been introduced during the preceding sessions of Congress and have been going through them studying the hearings and then taking the bill and studying it, and trying to conscientiously measure up to my obligations and duty.

Mr. BENDIXEN. That is right, absolutely, and I appreciate that.

Mr. CLARKE. Then I go ahead and work during this hot weather and try to digest the matter, because it is a very complicated bill, because I do not understand your local situation, and I get nicely through the thing and when I get through I find that most of my work in trying to measure up to my obligations and duty has gone by the boards, and I have to start all over again.

Mr. BENDIXEN. Mr. Chairman, I think that is all I have to say. I thank you.

Mr. SULLIVAN. Mr. Chairman, I would like now to introduce to the committee Mr. Elias Nordgren, a member of the Legislature of the State of Minnesota.

The CHAIRMAN. We shall be glad to hear Mr. Nordgren.

**STATEMENT OF MR. ELIAS NORDGREN, NORTH BRANCH,
MINN.**

Mr. NORDGREN. Mr. Chairman and gentlemen of the committee, I appreciate the courtesy extended by the chairman, and I will say that I will try to be very brief.

Mr. CLABKE. Where are you from?

Mr. NORDGREN. North Branch, Minn.

I, like Senator Sullivan and Mr. Bendixen, am representing the State of Minnesota as members of the legislative committee to appear before the Secretary of Agriculture, and we come down here also to appear before this committee in behalf of this particular bill at this time; for the same reasons as stated by Mr. Bendixen I come before this committee.

I think Mr. Bendixen has stated about all I would have to say. I will say this, however, that while I am engaged in other business, my principal business is farming. For the last two sessions of the Legislature of Minnesota I was a member of the committee on markets and marketing and had occasion to listen to the complaints and grievances of the farmers in our State to a large extent. And that the farmers of our State have grievances our legislature did acknowledge by passing a resolution which provided for a delegation to get the grain grades modified. And our hopes are that your committee will carry out some of these modifications, as we have requested now by the bill proposed by Mr. Steenerson.

I do not know that there is anything more in particular that I can add to what has been said by Mr. Bendixen, unless there are some questions to be asked of me.

Mr. ASWELL. Is this bill satisfactory to you now as it is written?

Mr. NORDGREN. I am not technical on the bill, particularly. There are some modifications we would like to see, as has been stated. There are modifications, especially doing away with a part of the Federal grain grading law; give us the grade, and do away with the dockage. That is our principal request in the matter.

The CHAIRMAN. You have all conferred and agreed on this bill?

Mr. NORDGREN. Yes; we have.

The CHAIRMAN. You are all in accord on this matter?

Mr. NORDGREN. Yes; we are practically agreed on this matter.

The CHAIRMAN. If that is all, we are much obliged to you, Mr. Nordgren.

Mr. SULLIVAN. Mr. Chairman, I now will introduce to the committee Mr. J. J. Murphy, of South Dakota.

The CHAIRMAN. We will hear Mr. Murphy.

STATEMENT OF MR. J. J. MURPHY, PIERRE, S. DAK.

Mr. MURPHY. Mr. Chairman and gentlemen of the committee, unfortunately, perhaps, for me in appearing in this hearing I am not at this time an actual farmer. Practically all of my interests, however, are tied up in real estate; and, having been engaged in farming as a business in former years and engaged in the grain business, I feel somewhat qualified to represent the farming interests of the State of South Dakota at a meeting of this kind and before this splendid committee.

I will say further that it has been my pleasure to represent that interest in Washington at different times before different bodies. Several times before the Bureau of Markets during the past four years. And our contention at each one of these meetings has been identical with the contentions we are making here. We were asking for some modifications. That department went so far at one time as to put out tentative grades, which included all or practically all of the modifications which we were asking for, and sent those tentative grades out to us and asked us to appear at hearings to see that we would be satisfied. We appeared at those hearings, one at Fargo, and one out in Montana, and one in South Dakota. There were some things we wanted changed, but, generally speaking, we were satisfied. We believed they were going to give us the grades that they were offering to us. But they came back here and, without notice, they immediately ignored all the recommendations made by the farmers of the Northwest.

Mr. ASWELL. When was that?

Mr. MURPHY. In 1918. I would like to say to you gentlemen, to get this thought to you, no matter what part of the United States you come from, that you are dealing with a peculiar situation out there. We raise spring wheat, and it may be very nice to state a theory that our farmers should be required, by a grading system or some other system, to raise pure wheat. But I want to say to you, under the conditions with the weeds and everything else that comes up in the spring with the spring wheat, that a farmer can not raise pure wheat.

Our department recommends to us to raise diversified crops; flax one year and oats another, and wheat another, and so on, but I say to you, that the flax will come up in the spring with the wheat, and we will not have a pure wheat.

The butter situation was mentioned; but that you can not do either.

Mr. CLARKE. I agree with that.

Mr. MURPHY. The handling of the cattle, and the handling of the milk, and especially the churning, and taking care of the butter is a mechanical process; but to talk about butter, what farmer can prevent that foreign material growing on his farm? He can not do it.

Now, gentlemen, we have planned, and we have begged these people to recognize that matter and to make that foreign matter dockage in the wheat, and not a factor in the grading and reducing the price of the wheat to the farmer out there. This making of this foreign matter dockage will not be detrimental to any other wheat sections in the country. It is only in the spring-wheat belt. We are asking for a grade for spring wheat, gentlemen, and that is all. We want you to make that foreign matter dockage, and not an element of the grading, which is shown by the figures here, that the farmer gets 3.1 cents for a bushel of that dockage, if it happens to be kinghead, but he is penalized if there is 3 per cent of that kinghead in it, 40 to 45 cents a bushel, depending on the amount of kinghead in there. It is a shame, and don't you forget for a moment that farmer recognizes what is being done to him. But under this system of grading, the farmer can not help himself, and he is the only man along the line that can not.

Now, gentlemen, is it not deplorable that the farmer is degraded to this extent? The local elevator man can, to a limited extent, get out from under it. He will mix the grain some, and you understand, gentlemen, all these technicalities reduce the grade. He will dump in a little kingsheads or barley or a little rye or something else; he can have a little of all those things in there. But when it comes to a mixer he will run his grain out of 10 different spouts in the elevator, and still he will be within the grade and make his flour.

Mr. TEN EYCK. Let me ask you a question there: Have you any cooperative elevators in your district in your spring wheat?

Mr. MURPHY. Yes, sir.

Mr. TEN EYCK. How do they compare in their return to you for your wheat with the other elevators?

Mr. MURPHY. We have different kinds of cooperative elevators in the State. Some are genuine and are cooperative—

Mr. TEN EYCK (interposing). I want to talk about the genuine one. I believe in cooperation.

Mr. MURPHY. Under the present interpretation of the term, I believe we have cooperative elevators; we have others that are not cooperative in a sense—they are cooperative in ownership but not in the division of the profits. Some of our elevators will divide up the grain to the men that haul grain to it after taking out 6 per cent or 8 per cent on the amount of the grain. That is the general line of elevators that take out that amount to pay for the interest on the investment. But the one I want to suggest to you that we have a number of is the old line—

Mr. TEN EYCK (interposing). What I mean is the genuine cooperative elevator owned by the farmers and where the profits are divided among the farmers outside of the actual cost to run the elevator. What difference is there between his return to you on the spring wheat and that which you get in the ordinary channel?

Mr. MURPHY. Let me get down to that. Unfortunately for your cooperative system, you have poor management sometimes. They are green men, and I do not believe they get the results out of it that would be gotten out in other ways. They are not all so much more successful than the others. I do think, however—in fact, I know that the real cooperative elevator gets better results than the other fellow. And we have some cooperative elevators that have driven the other fellow out, and that is coming about much more rapidly lately.

Mr. TEN EYCK. Do they do away with this loss of 30 or 40 cents on a bushel?

Mr. MURPHY. Yes; when they handle it directly they will, under the present grading system. There is no question about that; that is, under the division of profits.

Mr. SINCLAIR. You do not mean to say that they will do away with that loss, however?

Mr. MURPHY. No; not that.

Mr. SINCLAIR. The local buyer can not tell what the grain will be graded at the terminal when it gets in there; the man who buys at the country elevator must buy safely.

Mr. MURPHY. What I mean to say is, if the local elevator man is wise to the grain trade and will do all the mixing possible, he will do

it, if he is wise, but you do not get it back to the country elevator, because of the lack of facilities and the lack of ability to handle it.

Mr. TEN EYCK. That is what I wanted to bring out.

Mr. SINCLAIR. You do not mean that there is any elevator in the country that can do that fully, then?

Mr. MURPHY. No, sir; there is not. There is another thing: When the country begins to thrash, just as fast as they have machines to do it, the grain will come in so that it sometimes has to stand all night outside waiting to be unloaded. There is no chance for manipulation. But I want to get this thought to you, that the man that has facilities to take advantage of these technicalities and has the ability to do it, gets the advantage of the profits.

Mr. THOMPSON. Who does get the profit at the present time, the middleman?

Mr. MURPHY. Do not confuse that. The big mills have elevators. The elevators are connected with the big mills.

Mr. THOMPSON. When this stuff is winnowed out of the wheat, who gets what is separated out?

Mr. MURPHY. Whoever cleans it; if that is in the cleaning elevator, they will clean it. But as to the mixing—

Mr. THOMPSON (interposing). After it is cleaned, as I understand it, this wheat is as good as any other grade?

Mr. MURPHY. Sure.

Mr. THOMPSON. But you get a depressed price because of the dirt; there is a difference in the price?

Mr. MURPHY. We ought to make a distinction between dirt and foreign material as now passed.

Mr. THOMPSON. That is your object, isn't it?

Mr. MURPHY. Yes, sir.

Mr. THOMPSON. That is what you want here?

Mr. MURPHY. We want the wheat graded.

Mr. THOMPSON. What is the trouble with the grade now, as it exists?

Mr. MURPHY. It is too technical, and foreign material is the degrading factor, and no dockage is the big element. There is another element—the moisture. We are suggesting in this bill that $14\frac{1}{2}$ per cent be allowed in our wheat, and that in excess of that, that it be designated on the certificate. We are suggesting that instead of the present moisture allowed in the present grades; that is, 14 per cent in No. 1, $14\frac{1}{2}$ in No. 2, 15 in No. 3, and 16 in No. 4, or other grades. We do not believe that should be allowed in warehousing the wheat.

Mr. THOMPSON. When do you sow your wheat; in the Spring? You speak of spring wheat.

Mr. MURPHY. We sow as soon as the conditions and the weather is right, which will be mostly in the latter part of March, or probably in April.

Mr. THOMPSON. The section I come from has very little spring wheat; it is mostly sowed in the fall and grows during the winter.

Mr. MURPHY. Yes; and you are not subjected to any of the grievances that are alarming and hitting the farmers of the Northwest.

Mr. THOMPSON. I have not heard much of this, and do not know much about these grades, and I want to find out.

Mr. MURPHY. I wish you could find out the difficulties that our farmers in the Northwest, in any one of these three States, have to

contend with. And it is impossible for him to help himself, and it is a shame for anyone that is producing food in the volume that these three States produce that product—wheat flour—that they can not even be heard by the Federal agency as to their grievances, when there is the establishment of a grading system involved.

Mr. THOMPSON. This grading affects the whole Northwest country, North Dakota and South Dakota and Minnesota?

Mr. MURPHY. Yes; anybody that raises the hard spring wheat, and you will find the bulk of it in those three States that are here represented.

Mr. ASWELL. May I ask you a question?

Mr. MURPHY. Certainly.

Mr. ASWELL. If this bill is enacted into law, the average price the producer will receive will be higher, will it not?

Mr. MURPHY. Yes, sir.

Mr. ASWELL. What effect will that have on the price of flour?

Mr. MURPHY. My dear sir, what is the price of flour based on?

Mr. ASWELL. I am asking you, would it affect the price of flour if the producer gets a higher price for his wheat?

Mr. MURPHY. I suppose, if the producer as a whole gets a higher price, it would be reflected in the price of flour. But that does not cover the point. If there is an injustice done to the man that produces the thing that makes the flour, that injustice should be removed.

Mr. ASWELL. I want to find out where the profit goes. Does it go to the man that makes the flour?

Mr. MURPHY. It goes to the man that manipulates it.

Mr. ASWELL. As a rule, where does it go?

Mr. MURPHY. I think, as a rule, to the elevator man or the mill man.

Mr. ASWELL. You do not think that the prices of flour would be affected?

Mr. MURPHY. No; I do not think it would, because I think they would take it. But I think if the price of wheat was decreased 10 cents a bushel—

Mr. ASWELL (interposing). That is not my question at all. My question was this: If this bill becomes a law, you believe the average price that the producer receives for his spring wheat would be a little higher?

Mr. MURPHY. Yes; I do.

Mr. ASWELL. Now, would that affect the price of flour?

Mr. MURPHY. I don't think so.

Mr. ASWELL. I do not, either. I would like to know who gets the 34 cents that has been stolen from the producer.

Mr. SULLIVAN. The sale under this bill would be made with the cards face up on the table, instead of as it is now, with the face up to the miller, and the face down to the farmer.

Mr. ASWELL. Who gets that 34 cents?

Mr. SULLIVAN. It goes somewhere between the farmer and the miller.

Mr. ASWELL. Who gets it?

Mr. SULLIVAN. We have an idea the cleaner gets it.

Mr. ASWELL. The cleaner or mixer?

Mr. SULLIVAN. Yes, sir.

Mr. MURPHY. Now, gentlemen, we are satisfied that we can not get this from the agency you have established for this purpose. We have tried it before Secretary Houston, and Secretary Meredith, and Secretary Wallace, and while Secretary Wallace is a new man, it is unfortunate that the bureau has as much influence as it has. But this bill provides that the grades shall be established for one year, and thereafter the Secretary of the Agriculture shall be allowed to change them if the circumstances demand it. We are asking that the foreign material be called dockage; that the dockage be made on the foreign material. We are asking for a dockage on this foreign material.

We are asking for a change in the moisture content; and we are also asking for a change in the number of grades and subclasses. And if we get this law enacted, we expect this from these changes. And it will be a material relief.

And I tell you another thing, gentlemen: If you people will concede this slight modification, you will have gone a long ways to satisfy a frame of mind out there in that territory; and I want to tell you that they are getting in a frame of mind that, no matter what that great agricultural district out there wants, they can not get it. That is deplorable. They are in that frame of mind. I do not say that that frame of mind is warranted, but they are in that frame of mind. And that is one thing that the farmers' organizations, and the grain dealers and the farmers' grain and cooperative associations talk of when they meet in their associations. They pass resolutions in their conventions, directed to the governor, and everybody else, to see that these things are brought about. And that is why I am down here. The governor designated me to represent these people. We have been down here for four years, and it seems now that we have got to come to Congress, and we hope that you will see the justice of our cause, and we have confidence enough to believe that if you see the justice of our cause you will give us relief.

If we were going to injure anybody else in the agricultural line, it would be different. But we have conditions that you have got nowhere else in the country. But we do ask for that slight relief, and we hope we will get it. Those are the only particulars in which we are asking for changes. First, make the foreign material dockage; make a uniform moisture content. I do not know why, if $14\frac{1}{2}$ per cent will be all that will be warehousable, they permit more in No. 3 than they do in No. 1. Make the moisture content the same, and all that shall be permitted in any grade. The standards—you have got about 16 per cent on the three grades. We are willing to take $14\frac{1}{2}$. We do believe and our advice is that grain is warehousable up to 15. But we do not want to take any chances. We do not want the warehouseman to take any chances. We do not limit it up to 15.

Now, we want changes in the grades and subclasses. If you will, reduce the number of grades and subclasses. And where there is more than $14\frac{1}{2}$ per cent of moisture, designate it on the certificate. And if you do this, then, as Mr. Sullivan says, the cards will be face up on the table. The buyer knows what he is buying, and the farmer knows he is grading his wheat, and not the little kinghead, or the little moisture that is in it. That is all we are asking.

Now, on behalf of the State of South Dakota, I want to back up the statement that has been made by the other gentlemen, because our conditions are similar. Our farmers are just as sore and just as aggrieved over the situation in the State of South Dakota as in any other State. It is a general feeling. It is one of the things that has created a bad frame of mind out there. I want to get that thought to you, gentlemen; that and the thought that we have conditions there that do not exist anywhere else.

The CHAIRMAN. Is that all, Mr. Murphy? We are obliged to you.

Mr. SULLIVAN. Mr. Chairman, I would like now to introduce Mr. Zeismer. Mr. Zeismer has been for a number of years a member of the board of grain appeals for the State of Minnesota. Mr. Zeismer is thoroughly familiar with the grain trade and will explain some features of this matter, and will be glad to answer any questions.

The CHAIRMAN. We will be glad to hear Mr. Zeismer.

STATEMENT OF MR. R. ZEISMER, MEMBER OF THE BOARD OF GRAIN APPEALS, STATE OF MINNESOTA, ST. PAUL, MINN.

Mr. ZEISMER. Mr. Chairman and gentlemen of the committee, this subject has been so thoroughly discussed that there is very little left for me to say, except to cover a few phases of it that I shall touch upon. In the first place, it has been mentioned here that grain is largely sold on sample in Minneapolis, which is largely true, although not altogether. If it was true that the grain was sold altogether on sample, I would have nothing to do there. I am on the State board of grain appeals, to which all decisions on grades of grain are appealed.

Mr. CLARKE. In the State of Minnesota?

Mr. ZEISMER. In the State of Minnesota all grain matters are largely referred to us for decision. If it was true that it was all sold on sample, there would be no necessity for a board of grain appeals, Federal or any other kind.

In the first place, any grade placed on any sample, if it is degraded, it stigmatizes it to the buyer. It may be, as the witnesses before me have stated—it may be No. 1 wheat, so far as moisture and all the factors are concerned, but for the foreign material, for instance.

Now, the Federal rules provide that one-half of 1 per cent is all the foreign material it can carry, or dockage. Assume that it has six-tenths, that would put it in No. 2; the one-tenth would stigmatize it as No. 2 wheat. And that goes down to the other grades, 2 and 3, and so on, which would carry a higher percentage. These cars are appealed to us at times for this slight difference. Even if the car was stigmatized on a small percentage, the moisture or foreign material would stigmatize it and bring a discount of not less than 2 per cent. A car sometimes grades No. 5 on account of the moisture, and that puts it down in price, but a fine wheat may still charge a fine price, although it would still have a higher price if it was not so stigmatized. That is the Minneapolis situation. The Duluth situation is a different proposition. That is an export market entirely. The grain is bought there by grade entirely. In the Duluth market it is all bought by grade, regardless of what the foreign material is, or anything else; it is bought as No. 2, and sold as No. 2. So that the grade absolutely

grades the prices in Duluth. Some years, when there is a large crop, more is marketed in Duluth than in Minneapolis. And it is mixed down to the lowest possible basis of what No. 2 and No. 3 and No. 1 can carry. And also, on the matter of grades—

Mr. TEN EYCK (interposing). Is it not a fact that the miller sells a lot of this foreign matter, after it is separated, and gets as high as \$40 a ton for it?

Mr. ZEISMER. That was true during the war, but with oats at \$30 a ton, and other feed down, you would hardly expect screenings would sell at \$40 a ton.

Mr. TEN EYCK. What do they sell for now?

Mr. ZEISMER. Sometimes I have had it offered to me at nothing, and then it runs up to \$15 a ton; that is, on wild oats and barley grain.

Mr. TEN EYCK. You know, we fellows in the East use a lot of your ground feed, and we do not notice such an awful big drop in ground feed in comparison to your grade.

Mr. ZEISMER. Well, that is up to you. I say, if you buy ground feed—that is, ground oats or ground corn, or a mixed car of ground oats or ground corn, or barley and oats, and they mix these screenings in with it, that is an adulteration, and if you have no such law protecting you in this interstate commerce, that is your fault and not mine.

Mr. TEN EYCK. No; there is a law, as I understand, that the protein and the other things in there is listed on a tag.

Mr. ZEISMER. That is technical again.

Mr. TEN EYCK. Well, that is a fact. They do not say it is adulterated; they give you the ingredients in the feed, and it is up to you to know whether you are getting the ingredients that you want.

Mr. ZEISMER. That may be true, but let me ask you a question.

Mr. TEN EYCK. Certainly; go ahead.

Mr. ZEISMER. The questions have all been fired the other way. If you went and bought a car of ground feed—ground oats, or whatever you want—you specify what you want, barley, or oats, or corn, don't you?

Mr. TEN EYCK. Yes.

Mr. ZEISMER. Would you not prefer, regardless of what the tag says, to have the pure stuff?

Mr. TEN EYCK. No; I would rather have the tag.

Mr. ZEISMER. Well, all right.

Mr. TEN EYCK. Because a lot of light oats, or grain, is not as good as the heavy oats. Now, if it is oats it does not mean so much, unless it is protein.

Mr. ZEISMER. That is practically not germane to this question.

Mr. TEN EYCK. No; but you asked the question.

Mr. ZEISMER. Another phase that I want to touch upon is the matter of the foreign material and the grading of a car. Samples come up to us which are right close to the line as No. 1 northern, that can carry one-half of 1 per cent—dark northern, one-half of 1 per cent—but we give that car 6 cents, or 7 cents, and we feel that the wheat really ought to be graded No. 1 dark northern on its merits. Sometimes a car is even of a higher percentage; it ought to be graded on its milling merits.

Mr. CLARKE. In other words, the intrinsic content is there all the time?

Mr. ZEISMER. The intrinsic content is there all the time; yes, with the variation of this slight percentage.

Now, you can see the injustice of a farmer shipping a car to Duluth having seven-tenths, as against two-tenths on the market where it is bought; and the difference in value of the grain, assuming that both have the same milling value, is possibly one-tenth or two-tenths of 1 per cent. But he is penalized 3 cents a bushel, and that is done every day in the week.

For that reason I bring this out, that it is absolutely necessary, and while that is not done, a car of wheat—a man buys a car of wheat he should buy wheat, and not this foreign material, and the wheat should be graded on its merits, free from this foreign material, and it would avoid a great deal of confusion in the grading of the grain. You might get two samples from a car; one might grade No. 1 northern and the other might grade No. 2, and under the law the sampler is not allowed to grade anything but what he finds in the sack. So it is largely guesswork.

Another phase I want to touch upon is why there is opposition here to the modification of the grades. Outside of the moisture, I do not think there is but very little opposition to it. In fact, people seem to think that we have to stick to anything that has become usage and custom or everything will go to the bow-wows; that is true in the grading of grain or anything else. Their business is adjusted on that basis, and if they have to make slight changes in their bookkeeping or other methods of doing business they do not like to do it. They are making money, and they do not want these changes made.

Mr. TEN EYCK. Is this law now in force in Minnesota?

Mr. ZEISMER. Oh, no; we are under the Federal grading system.

Mr. TEN EYCK. I know, but have you any law in Minnesota that grades the grain?

Mr. ZEISMER. We have adopted the Federal grading system, for the convenience of the farmers and the trade. We did not have a law before.

The opposition comes, not so much from the elevator interests, because my relation with the chamber of commerce has nothing to do with the grading of the grain whatever, though I was in the employ of one of the elevators for years, the Northwestern Elevator, of which Mr. C. A. Magnuson is president; he is a personal friend of mine, and is one of the most honest and square men you can find. I went to him a week or 10 days ago and asked him his position on this matter. He says: "Mr. Zeismer, I am with you on anything you request. I will even go to Washington with you, if you request it, but let us try the Bureau of Markets once more. I am personally acquainted with Dr. Livingstone, and I will write him a personal letter, and if there is any chance of getting the least modification of this, I will hear from him, and I will ask him for a reply."

Mr. CLARKE. Where has the opposition developed to this modification?

Mr. ZEISMER. I really do not know. I candidly confess I do not know; I have to give it up. It is like I told Mr. Magnuson, one time when I hired a man who was buying grain in the country, I had to be very careful what I did with him, because he did not want his judgment interfered with to know that his judgment was poor. If I hire a man I have to be very careful that he is a very good man,

or I would get the worst of it. So, I think that is true with the grades, after a man has promulgated something, he wants to back it up, if it is good. I do not know any other reason for it.

We got a reply from Dr. Livingstone that the incident was closed, so Mr. Magnuson did not come. The incident was closed, Dr. Livingstone said. We requested that he confer with Secretary Wallace, but whether he did that or not he did not say, but he stated that the incident was closed for this year, anyway. So the slight modifications, more slight than we request now—the slight modifications that we requested of Dr. Livingstone would not be considered.

We have the chamber of commerce with us on the test weight, for this reason: No. 1 to test 58; No. 2 to test 57 in all subclasses; No. 3 to test 55, and carrying it down in all subclasses with a large percentage of intermixture of foreign material, and also other wheat. The chamber of commerce is operated on the basis of future protection, you understand; future milling contracts.

Mr. TEN EYCK. Is there any difference in the general average weights of good, clean, fall wheat, and good, clean spring wheat?

Mr. ZEISMER. Oh, yes; the average difference in weight this year, I should judge, would be about 4 or 5 pounds. The winter wheat would be the heaviest.

Mr. TEN EYCK. That is what I thought.

Mr. ZEISMER. Yes; 4 or 5 pounds is the average.

Mr. TEN EYCK. You say 4 or 5 pounds is the average?

Mr. ZEISMER. Well, not always.

Mr. TEN EYCK. No, but is that the average?

Mr. ZEISMER. It was this last year. The average, on the assumption of the Federal grades would be 3 pounds; but this phase I want to bring out particularly—

Mr. TEN EYCK (interposing). Right there: Of course, winter wheat is sold as winter wheat, and spring wheat as spring wheat, and there is no reason why you should not grade it as you want it.

Mr. ZEISMER. Yes; but the spring wheat has never been sold on the Minneapolis market that way; that is what I want to bring out now. Not that it would not benefit the farmer; I think it would, to some extent, and anything that benefits the farmer would be a benefit all around. Here we have wheat testing 58 in No. 1; 57 in No. 2, and grading it on down, and they are the contract grades on which the futures are based; all wheat must test 58 pounds and come within the other requirements of that No. 1 wheat; No. 2 must weigh 57 pounds, or there is a penalty.

Mr. JONES. If you make 57 pounds the test for No. 1 wheat—change the requirements so No. 1 wheat would only need to test 57 pounds, then would the price of that wheat at 57 pounds be the same as—

Mr. ZEISMER (interposing). That is problematical. That is a question; but it is not a question whether the price would be the same.

Mr. JONES. There would not be any difference in classification, according to your contention, on wheat that tested 57, and that which tested more than 57?

Mr. ZEISMER. Only with this difference, that you can not deliver any 57 test wheat on your contracts.

Mr. JONES. I mean, if you get the law as you want it?

Mr. ZEISMER. Yes, sir.

Mr. JONES. Then you can deliver 57 pounds the same as you can 58 pounds?

Mr. ZEISMER. Yes, sir.

Mr. ASWELL. At the same price?

Mr. ZEISMER. That is problematical.

Mr. JONES. If you had the same grades?

Mr. ZEISMER. Where is the basis to start on; the basis to check with. It is impossible to determine whether it is the same price or not. Even under the present method of doing business, in the chamber of commerce, making No. 2 wheat 55 pounds, they could deliver No. 1 and No. 2 wheat, without being placed in the position where they could not deliver it at all. I doubt whether our wheat, from one year to another, whether we have ever had an average car of 56 pounds. So you see the impossibility of trading in our No. 1 northern wheat in 58 pounds, when it is not there to deliver. So they have a clause in there permitting No. 3 wheat to be delivered at 20 per cent discount. You can see the difference between No. 1 and No. 3, so that they can not possibly corner the market, to the extent of 20 cents a bushel, at least.

Those are the two phases that I principally wanted to cover and to make clear to you. The other matters have been covered by the other witnesses. There will also be a man who will explain the details of the bill.

Mr. JONES. The other man will explain the details of the bill, will he?

Mr. ZEISMER. Yes; the other man will explain the details of the bill. If there are any questions, I would be glad to answer them.

The CHAIRMAN. Is that all, Mr. Zeismer. We are very much obliged to you, Mr. Zeismer.

Mr. SULLIVAN. I would like now to introduce Mr. O'Neill.

STATEMENT OF MR. D. P. O'NEILL.

Mr. O'NEILL. Mr. Chairman and gentlemen of the committee, if I might just digress for a minute from the bill—I am going to try to confine myself simply to the bill and its alterations.

The CHAIRMAN. I wish you would, and explain to us what you desire in the bill.

Mr. O'NEILL. If I might digress just for a moment, I want to say that the reason for the changes in the bill from the bill which was introduced by Mr. Steenerson, and the bill that is now before you was not because of differences of opinion of the men who are here representing the States that are represented here. The differences are that the Steenerson bill asked for 14 per cent moisture, whereas we concede 14½ moisture—in the old bill it was 14 per cent moisture.

Mr. CLARKE. We do not care for that; give us the new bill.

Mr. O'NEILL. The bill now introduced that you have before you is 14.5 per cent moisture. The bill introduced that you had before you yesterday asked for 15 per cent moisture, while after conferences we agreed to accept 14.5 per cent, which is in conformity with the regulations and the records of your department here and of Canada, and wherever grain has been handled in the northern latitude. We do not

want to exceed the warehouseable moisture or grain that would keep in transportation.

Second, I introduce an amendment, as you will find on page 9, in requiring the statutory rules, that those statutory rules are only to stand for one year; it gives the Secretary of Agriculture the right to modify or change them after one year. We gave him all the rights he had, so that we are not asking an ironclad bill at all. We come here before you gentlemen fairly and squarely, to lay our cards on the table face up, as we will lay our grain before the buyer. We are not asking some one to pay us something for nothing. I will take up the bill.

I will take up first the moisture—

The CHAIRMAN (interposing). What section are you on?

Mr. O'NEILL. Moisture, page 2, line 13. The Federal grades provide for 14 per cent moisture in No. 1; 14.5 in No. 2; 15 in No. 3; and 16 in Nos. 4 and 5. That is the present standard of moisture. We ask that the standard be made 14.5.

The CHAIRMAN. Kindly give that again.

Mr. O'NEILL. The Federal standards or grades are, 14 for No. 1; 14.5 for No. 2; 15 for No. 3; and 16 for Nos. 4 and 5. The change and modification that we ask for is to make it 14.5; to make No. 1 14.5.

The CHAIRMAN. You add one-half per cent?

Mr. O'NEILL. Yes; we raise it one-half per cent; and all other moisture contents to be designated on the certificate; on the grade certificate.

Mr. CLARKE. On the grade certificate?

Mr. O'NEILL. Yes; we do not make any moisture content. We go to the minimum that can be allowed in No. 1, and after that we state on the certificate face what the moisture content is—the moisture that that car of grain contains.

Now, if you will pardon me a minute, I have here with me not only one bushel but thousands of them; each one of these envelopes [indicating] represents 1,200 bushels. They are samples taken from the car just as they came in to the board of grain appeals of the State. The moisture contents were put on, just as the man who puts that on there puts it on here. Every one of these are high grade. Here is a high-grade wheat with 14.2 per cent.

The CHAIRMAN. Where did that go to; No. 2?

Mr. O'NEILL. Certainly; one-tenth would put it from No. 1 into No. 2 wheat; if it has two-tenths of moisture.

The CHAIRMAN. How much is the difference between No. 1 and No. 2?

Mr. O'NEILL. Five cents a bushel by the card price. That is \$60.

The CHAIRMAN. For the two-tenths of 1 per cent of excess moisture?

Mr. O'NEILL. Yes; for the two-tenths of 1 per cent of excess moisture.

Mr. SINCLAIR. And it has been demonstrated that that wheat is good milling wheat if it had 15 per cent of moisture, has it not?

Mr. O'NEILL. Yes; it certainly would be good milling wheat if it had 15 per cent of moisture. And that wheat, with that excess of moisture, will carry any place, according to the rules promulgated by the Secretary of Agriculture's statement. I would not say that it would stand a week on a sidetrack at New Orleans, perhaps, but

you gentlemen on this committee have got to remember that practically all of the spring wheat raised goes out over the Great Lakes, to the market, or goes to Minneapolis to be ground into flour, and never goes into the warm climates at all.

Here is another sample [indicating]. This is 14.5.

Mr. SINCLAIR. Is that winter or spring wheat?

Mr. O'NEILL. It is all spring wheat. I am going to show you some things. You wanted to see big wheat yesterday. Here is one 62½ pounds. I want to show the gentleman from Texas that, and ask what he thinks would be No. 1 wheat, if he raised it on his farm, when it weighs 62 pounds to the bushel and averaged 14.2 per cent moisture. If you got only No. 2 for it, you would feel awfully sore.

If you will pardon me, I have here the reports in a bulletin from the Canadian department of agriculture, in which they show the results of tests they made, in which they stood cars of wheat for six weeks in the summer time in Winnipeg; some of the wheat had 16 per cent moisture, and in no case did the wheat, where it was perfectly ripe and sound, go off; but in every case where they had immature and frozen wheat and unripe wheat it did go off.

Your Bureau of Markets, through Mr. Bailey, whom they consider an authority, says that a dark, hard, glutinous wheat can contain 1 per cent more moisture and still be warehousable than a soft wheat. Most of our wheat in the Northwest is dark, hard, and glutinous. It is warehousable up to 15 per cent. If the soft wheat is safe at 14 per cent, then the dark, hard, and glutinous wheat is safe at 15 per cent moisture.

The Secretary of Agriculture sharpened his pencil and gave the excess of moisture above 14 per cent, and he figures it in dollars and cents, but he did not tell the trade nor the world in that circular that the average moisture content of that wheat—the actual records kept by the people in actual records in Minneapolis—and he does not tell them that it was only 11.8 per cent.

Mr. CLARKE. Who was this?

Mr. O'NEILL. Mr. Meredith. He figures out the extra amount of water in the wheat to figure out the amount the miller pays for it; but he does not tell that there are only a few cars of that wheat and the average is only 11.8 per cent, and it varies from year to year, according to the climatic conditions. Invariably the 60-pound and the 62-pound wheat is heavy in moisture. That must be so, because nature has performed its function.

They tell us to go out and get good seed to raise good wheat, and to clean up our farms, and when man and nature have combined to raise good wheat they step in and penalize it because we have too much moisture, but we have raised good wheat.

We are not asking any great favors of them. We know it is warehousable up to 14.5 per cent. We have come down in our demands; we have met them halfway, so to speak.

I want to say in all kindness that I haven't any feeling against the Bureau of Markets. I am not like some of these gentlemen. I have been before them. I understand their position. They are just like you gentlemen; they have to listen to arguments on both sides of the question and then determine the matter. You have to listen to arguments on both sides of this matter and then decide. They had to listen to arguments on both sides of the matter and then determine

it. They had to try them out. I am willing to admit they are human, and that they do not understand altogether.

The only thing I find fault with with them, is that when we ask for these slight modifications, which mean so much to us, as Mr. Murphy has said—they mean so much to us psycholgically—they are not willing to come to us in any way. Their attitude seems to be, We have got you down, and we are going to hold you down. That is not the attitude that should be assumed toward the great agricultural interests of this great Nation. We thought when we got a Secretary of Agriculture that we would have a man who would be at the ear of the President, and that we would have a chance to be heard; that we would have there a man who would have at heart the great agricultural interests of the country, and who would plead our cause. We are too poor to come here; every one of the other interests are here with their lobbyists, and we are sorry that they listen to the tune of the miller, rather than to us poor, squawking farmers. In time they will be sorry. All they have got to do is to wake us up. We are Norwegian and Swedish and Viking and Irish, and we are fighters from Hades.

Mr. CLARKE. You have not found any of these outside influences here, have you?

Mr. O'NEILL. No; everything is all right here.

The CHAIRMAN. You made a statement about a car testing 59 pounds?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. What test was required to make it No. 1?

Mr. O'NEILL. Fifty-eight.

The CHAIRMAN. It tested above No. 1?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. But it contained $\frac{1}{10}$ of 1 per cent of moisture above that allowed?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. There was how much of that; 1,200 bushels?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. Then the miller, or whoever bought the wheat—

Mr. O'NEILL (interposing). Made \$60.

The CHAIRMAN. No; he paid for 144 pounds of moisture, in excess of what it would have been if it had been grade 1?

Mr. O'NEILL. That is the reasoning of Mr. Meredith.

The CHAIRMAN. Well, is that—

Mr. O'NEILL (interposing). Yes; I will admit that in that car.

The CHAIRMAN. How much was the wheat worth?

Mr. O'NEILL. At the time that car came in, wheat was worth maybe a little more than \$2 a bushel.

The CHAIRMAN. That would be around 3 cents a pound?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. About \$4.32?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. And he was penalized \$60?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. Sixty dollars?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. And he was out \$55.68?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. Is that correct?

Mr. O'NEILL. That is correct. And if you will pardon me, that might not be all, for this reason, the effect of him sending down what he supposed to be A1 northern, and he having no means of knowing, except by the touch of what moisture it contained, therefore the buyer would not pay more than No. 2 to the farmer.

The CHAIRMAN. But, see here, if the farmer, or whoever the shipper was, had taken out 2 per cent of the moisture, he would have been entitled to 5 cents a bushel more?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. Or \$60?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. What he received pay for moisture subtract was the \$4.32?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. Deduct the \$4.32 from \$60, and he was out \$55.68?

Mr. O'NEILL. Yes; you are right, Mr. Chairman.

The CHAIRMAN. I want to know if I am right?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. If it had been 1 per cent from 60, then what?

Mr. O'NEILL (interposing). I want to be fair with you gentlemen, and with the Bureau of Markets.

The CHAIRMAN (interposing). Hold on; I want to find out what took place.

Mr. O'NEILL. I am going to answer your question by being fair. According to the technical rules it would, but under the rules of the administration, they have rules allowing for the variations, and they do not throw it off for 1 per cent; they go to 2 in case the 1 per cent would change the grade.

The CHAIRMAN. They go to 2?

Mr. O'NEILL. Yes; although they throw the grades off for 1, but not on account of moisture; because it has to have the finest kind of apparatus to measure that, and they are willing to concede 1 per cent for variation on moisture, and would not throw it off for 1. I am going to be fair with them. They would not throw it off for 1, but they would for 2.

Now, we pass to the weight. Now, gentlemen, we are not asking you to throw this all off. We are just asking for a new modification; moisture, rye, and foreign material; just a few modifications. We do not interfere with the grades on any but the spring wheat. You will find where it says in the bill the minimum limits of damaged kernels allowed; that should be changed to "maximum."

The CHAIRMAN. That is a typographical error in the bill?

Mr. O'NEILL. Yes, sir.

Mr. CLARKE. That is just the use of a wrong word in the bill?

Mr. O'NEILL. Yes; it makes it wrong altogether.

Now, we take the 58 pounds weight—

The CHAIRMAN (interposing). That is, the 58-pound weight in the bill?

Mr. O'NEILL. Yes; the present standard is 58, and we are asking to make it 57.

The CHAIRMAN. All right; let us get that down.

Mr. O'NEILL. We are asking that on the records kept very carefully for years in the Minnesota inspection department, and the average is 57. Now, I will say that that varies, as every intelligent thinking man would know. Some years we have a little better crops than others. Some years it runs to 56, some years it runs a little below, and some years it will run a little above other years. It runs from 44 per cent to about 55 or 56 per cent in different years.

Mr. CLARKE. What is the average?

Mr. O'NEILL. The average is about 57 pounds for a period of years. That is the reason why we establish 57 as the basis, because it is the average for a number of years based on what is going through Minneapolis. I think that is the grade that is traded in, in a way. They can trade on that.

Now, we might make a premium wheat, but the premium wheat is made by the miller himself. When you furnish him a premium wheat he pays for it; that is all. We do not mean to take that away from the man that raises good wheat at all. He is going to get paid for his premium wheat. I am going to state for the information of the man from the Lone Star State, when he was looking at these samples, that he would also be interested in this, that they go out from Minneapolis just as quick as the grain is thrashed, and get samples of grain from all over the West—from Montana, Wyoming, and all over the West—and if you step into the chamber of commerce in Minneapolis you will see a circle like that [indicating on map], and they call that a zone.

Now, they want us to raise good wheat, and, my friends, if you do all you can do to raise good wheat, it will change, because the zones will change because of these climatic conditions, and the climatic conditions may differ. That is a matter that has been determined by chemists and others. They want that wheat for certain purposes, and they will buy it for delivery in 10 days, and pay a premium for it. They want it from these various zones, and they will pay a cash premium for it. We do not tell them what to pay for wheat; we do not come down and try to tell them that, because we can not do it. They know what they want, and sometimes they want some of your good winter wheat to mix it with the high glutinous wheat that you prize so highly, and which you think is far superior to that little shrunken wheat that you had in your hand yesterday. And they can buy it for 40 cents a bushel less in Minneapolis, and then they mix it into the hard, glutinous wheat that they want for a certain trade. Winter wheat is worth more than hard spring wheat for soda biscuits. They know what they want it for. We do not attempt to regulate that at all. They regulate that and tell us what they want, and what they will pay for it.

The CHAIRMAN. What was the weight before for No. 1 wheat?

Mr. O'NEILL. Fifty-eight, and now we are asking for 57, because 57 is the average weight for spring wheat. We are asking for 55 for No. 2; we drop 2 pounds. We are asking for 53 for No. 3, and 50 to be made No. 4, and we cut out one grade altogether. So of the 18 grades of wheat we have eliminated 8, leaving only 10. We did that to reduce the number of grades, so that elevator men could more easily and more readily keep it separated. He can not do it all anyway, but he can do it much better by having a less number of grades.

Now, we pass to rye. The present amount allowed is 1 per cent in No. 1; 2 per cent in No. 2; 3 per cent in No. 3, and it just goes up 1 per cent with the grade permissible. And we are asking to increase the amount of rye by 1 per cent more additional in all grades.

Now, we in the Northwest are doing our very level best to raise good wheat. If you will pardon me the digression just a second. I bought a good Canadian glutinous wheat at Thief River Falls one year ago last spring for seed, weighing 61 pounds to the bushel, and I paid a premium of 70 cents for the purpose of getting good seed wheat, and instead of raising that wheat, the wheat that I raised weighed 46 pounds to the bushel. There is a belief existing in the minds of most people—I know it is not in your minds—that you can raise wheat like you can raise shorthorn cattle; that you can raise it true to breeding; that you can take a 60 or 62 pound wheat and sow it on good land and, like animals, that it will reproduce itself. It absolutely can not be done. I have sowed 53-pound wheat and raised 61-pound wheat, and I have sowed 61-pound wheat and raised 46-pound wheat.

Mr. JONES. But you think it is better to plant good seed?

Mr. O'NEILL. I would take good strong seed; yes. I tell you as a man who has had 45 years experience as a farmer that I would take strong seed; the strongest seed like corn is the best. I want wheat with strong germinating properties. You do not always get it in the big wheats. The great trouble with this is in light-weight wheats, unless a man is experienced there being more kernels in a light wheat than in a heavy wheat, he sows too much seed, and gets too many plants. They are complaining in Oklahoma, I see by the papers, that the wheat stood up better for the man that sowed heavy than for the man that sowed light wheat; they had thinner plants, and it stood up under the heat. If the man with the lighter wheat had sowed less per acre, that would have stood up better.

Mr. TEN EYCK. There is not enough attention paid to the size of grain that you use in your seeder.

Mr. O'NEILL. That is the idea exactly. And you send a man out to seed, and unless you are right there with your overalls on and watch, the seeders will work differently at different times, too. Yes; it requires the closest kind of attention and application by the man himself.

Mr. TEN EYCK. While he is running the seeder, he has to watch it to see how much he is putting on per acre?

Mr. O'NEILL. Yes; they will work off and on at times, meaning the feed, themselves.

Now, as to the rye. Now, we are trying to clean up our farms, and we raise rye to do it with. There may be thistles, and wild oats, and wild peas, but we are not troubled much with some of those. In North Dakota it is mostly wild kingheads. I have sowed some winter rye and got good rye. The gentleman from Texas was looking at our dirty wheat yesterday. That was not dirty at all. If he had looked at some of our winter rye, it is as clean as any wheat from Texas. Anything that gets a start to growing in the fall shuts off the weeds, and it makes a cleaner grain. I handle your grain every day on the State board of grain appeals, and it is very rarely that we get over 2 per cent.

Mr. TEN EYCK. Some people are sowing winter oats for the purpose you mention.

Mr. O'NEILL. I do not know about that. But when we sow rye, the rye will come up of itself, as volunteer the next season.

Mr. CLAGUE. Just tell us about the advantages of this bill; that change of 1 per cent, or anything else; the moisture, or the advantages of anything in the bill.

Mr. O'NEILL. Yes; we have not made any changes, more than we would eliminate one class of red spring wheat. That is all we attempt to do, is just to make those changes. Enumerated, we eliminate the red spring wheat and increase the moisture content one-half of 1 per cent, and after that state the moisture content; put the cards down face up, and let them know just what moisture content there is.

If there are any questions I would be pleased to answer them, if I can; if not, I thank you very much.

The CHAIRMAN. What you desire is that you want us to insert in lines 10, 11, and 12, on page 2, "all foreign material in wheat, except rye, shall be classed as dockage, and all dockage shall be designated on the grade certificate, but shall not affect the grade."

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. And then the next is the moisture—"all moisture in excess of 14.5 per cent shall be designated on the grade certificate and shall not affect the grade."

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. What other changes are you interested in, except that you reduce No. 1 from 58 to 57 pounds?

Mr. O'NEILL. We change No. 1 from 58 to 57 pounds.

The CHAIRMAN. And No. 2 from 57 to 55 pounds?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. And No. 3 from 55 to 53 pounds?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. And No. 4 from 53 to 50 pounds, and you exclude No. 5?

Mr. O'NEILL. Yes; we cut that out, and we increase the content of rye by 1 per cent in all grades up to 4.

The CHAIRMAN. Are there any other changes?

Mr. O'NEILL. No, sir; we are not asking for any more.

Mr. MURPHY. It is true, is it not, that this bill contemplates the elimination of the subclasses?

Mr. O'NEILL. Yes; I mentioned that; I stated that it eliminates the subclass of red spring.

The CHAIRMAN. Have you made any changes in durum?

Mr. O'NEILL. Yes; reduce 1 pound; 2 pounds other grades.

The CHAIRMAN. But you do eliminate—

Mr. O'NEILL (interposing). Yes; we reduce it eight grades; we reduce the subclasses eight times.

Mr. SULLIVAN. Mr. O'NEILL, turn to page 7 of the bill.

Mr. O'NEILL. Yes.

Mr. SULLIVAN. On lines 12 and 13, on page 7, where the printed bill reads "6" it should read "10"?

Mr. O'NEILL. Yes; that is a typographical error. The Federal rules provide for 10 at the present time. That is merely a clerical

error. And, also, if you will pardon me, at lines 24 and 25, where the figure "8" occurs it should be "10."

The CHAIRMAN. On the same page?

Mr. O'NEILL. On the same page. And on page 4, in lines 22 and 23, the same clerical error exists—"6 per centum" should be stricken out and "10 per centum" should be substituted therefor.

The CHAIRMAN. In lines 22 and 23?

Mr. O'NEILL. Yes; on page 4. And on page 5, lines 9 and 10, where it says "8" it should be "10." On page 2 the changes are shown in the table. The first per cent in the last column is 5, and the other three should each be 10. And then the corresponding corrections made in the end of the bill to fit that table, and then it will be correct. On page 5 you have to strike out of line 9 that "8" and substitute "10" in lieu thereof.

Mr. CLARKE. How about line 10?

Mr. O'NEILL. The same there.

Mr. SULLIVAN. Now, Mr. O'NEILL, you were in conference with the representatives of the States of North Dakota and South Dakota?

Mr. O'NEILL. Yes, sir.

Mr. SULLIVAN. And as now corrected, with these clerical errors, the representatives of those three States agree, do they not?

Mr. O'NEILL. We are unanimous.

Mr. SULLIVAN. Absolutely?

Mr. O'NEILL. Yes, sir.

Mr. SULLIVAN. And there has never been any real disagreement on the principles of this bill?

Mr. O'NEILL. No, sir; to change the moisture from that stated in the first bill was gone over in the subcommittee of which I was a member.

Mr. CLARKE. What was the reason for reducing the number of grades?

Mr. O'NEILL. To make less grades, because the country elevator has not bins enough to handle so many grades, and he has got to throw so many different kinds of wheat into one, and he will not be able to take care of it. You will come in with a load of wheat, and it is not No. 2, but it may be close to it, but he will say, "I have not got a bin to put that in, and I will have to throw it into another bin of a lower grade. If you will bring me a carload of it I will be glad to pay you for it." And it is natural for him to degrade you on that. We want to reduce this, if possible.

I want to say frankly, in the Bureau of Markets, in my first talk before them, I said, "Isn't it strange that you have five qualifications necessary to make every grade, and if it is only weak on one you throw it down, although the other four are perfect. It may contain all five in the same grade, but because it is down in one you throw it down." And then Dr. Livingstone asked me later, he said, "I have been thinking about that matter; what do you think of the stepladder grades?" I said, "Mr. Livingstone, how many bins do you think a country elevator has in it? You can do it here, and the mill man can do it, but the elevator man can not do it. It is impracticable to work out."

The CHAIRMAN. Mr. O'Neill, will you prepare a statement indicating the changes made by the Bureau of Markets as to the wheat; give

the present standard, and also indicating your suggestions; give us a table, where we may have it all before us.

Mr. O'NEILL. Just in the nature of a brief?

The CHAIRMAN. Yes.

Mr. O'NEILL. Yes; I will be glad to do that, and I will hand it to you, Mr. Chairman.

(The table referred to, subsequently furnished, is printed, as follows:)

WASHINGTON, D. C., June 28, 1921.

To the members of the Agricultural Committee.

GENTLEMEN: The following are the changes from the Federal standards on spring wheat provided for in H. R. 7401, introduced by Mr. Steenerson, showing the present Federal standards and the modifications asked for:

Moisture requirements.

Grade No.	In present Federal grades.	In H. R. 7401.
1.....	14.0	14.5
2.....	14.5	14.5
3.....	15.0	14.5
4.....	16.0	14.5
5.....	16.0	(1)
Sample.....		

¹ Grade 5 eliminated.

All moisture over 14.5 per cent to be designated on grade certificate and shall not affect the grade.

Test weight requirements.

Grade No.	In present Federal grades.		H. R. 7401.	
	H. R. spring.	Durum.	H. R. spring.	Durum.
1.....	58	60	57	58
2.....	57	58	55	56
3.....	55	56	53	54
4.....	53	54	50	51
5.....	50	51	(1)	(1)
Sample.....				

¹ Grade 5 eliminated.

H. R. 7401 provides that all foreign material in wheat except rye shall be made dockage and provides for the amount of rye to be allowed in the different grades.

Rye allowed.

Grade No.	By present Federal grades.	By H. R. 7401.
1.....	1	2
2.....	2	3
3.....	3	4
4.....	5	5
5.....	7	(1)
Sample.....		(2)

¹ Grade 5 eliminated.

² Over 5 per cent carries into sample grade.

H. R. 7401 provides that all dockage shall be designated on grade certificate, but shall not affect the grade.

Subclass red spring of the Federal grades for wheat is eliminated in H. R. 7401. Practically no red spring is marketed, as it is taken care of in northern spring. Red spring made up 1.3 per cent of the wheat received in public elevators in Minneapolis in 1919, and in 1920 but 0.3 per cent. It made up 0.7 per cent of the wheat received at North Dakota elevators in 1919 and 1920.

The present Federal grades on wheat provide for five grades and sample grades. H. R. 7401 provides for four grades and sample grade, thereby reducing the number by eight.

Mr. CLAGUE. Now, Mr. Chairman, I move that the Secretary of Agriculture or the Bureau of Markets, or whoever he wants to send here, be heard before this committee at 10 o'clock to-morrow morning.

The CHAIRMAN. Let me ask the representative of the bureau what word he has from the department as to its representative appearing here. The Secretary was invited yesterday to appear before the committee. What report have you on that?

Mr. H. J. BESLEY. The Secretary of Agriculture is out of town. I took up with the Secretary's office the matter of my answering any questions that may be asked, and I was instructed to come here, and I would be glad to answer any questions that you might want to ask me. Speaking for the department as to whether it wants to appear for or against the bill, I can not answer.

Mr. ASWELL. If the committee invited the Secretary for to-morrow he would come or send a representative?

Mr. BESLEY. I assume that he would.

Mr. TEN EYCK. You are not an expert on the grades?

Mr. BESLEY. I am in the Grain Division of the Bureau of Markets, and I think I could answer any questions you might want to ask.

Mr. TEN EYCK. Then you are an expert in the grain-grading department?

Mr. BESLEY. If you want to put it that way, yes.

The CHAIRMAN. Are you prepared to answer questions?

Mr. BESLEY. Yes, sir.

Mr. CLAGUE. My motion was that they be invited to appear to-morrow, and that any testimony that they desire to give be given then.

(The motion was put and prevailed.)

Mr. CLAGUE. Mr. Chairman, Mr. Steenerson asked me to present to the committee the transcript of the hearings held before the Secretary of Agriculture on April 27 and 28, 1921, and that it be made a part of the record. I think it ought to be made a part of the record. and I make that as a motion.

(The motion was put and prevailed.)

(The transcript of the hearings referred to are here printed in full, as follows:)

HEARING HELD IN THE OFFICE OF THE SECRETARY OF AGRICULTURE ON THE REVISION OF THE FEDERAL GRADES FOR WHEAT, APRIL 27-28, 1921.

Present (for the department): Mr. H. C. Wallace, Secretary of Agriculture, presiding; Mr. George Livingston, Chief Bureau of Markets; Mr. H. J. Besley, Bureau of Markets; Mr. E. G. Boerner, Bureau of Markets; Mr. E. J. Murphy, Bureau of Markets; Dr. G. E. Leighty, Bureau of Plant Industry.

Present also: J. H. Adams, secretary Tri-State Country Grain Shippers Association, Minneapolis; Sydney Anderson, Congressman, first district, Minnesota; H. Askeland, Minneapolis; C. M. Bendizzen, Morgan, Minn., member Minnesota Legislature; C.

Bernet, St. Louis, Mo.; Frank Clayne, second district, Minnesota; James Cumming, East Grand Forks, Minn.; Ed. Emerson, Board of Trade, Duluth, Minn.; E. E. Evenson, Board of Appeals, Minneapolis; John N. Hagan, commissioner of agriculture and Labor, Bismarck, N. Dak.; N. J. Holmberg, commissioner of agriculture, St. Paul, Minn.; O. P. B. Jacobson, railroad and warehouse commissioner, St. Paul; Magnus Johnson, Kimball, Minn.; E. F. Ladd, Senator, North Dakota; David H. Larkin, Baltimore, Md.; T. N. Maynadier, Baltimore; J. A. McGovern, Fargo, N. Dak.; C. A. Morton, St. Louis Merchants' Exchange; J. J. Murphy, Pierre, S. Dak.; Elias Nordgren, State representative, North Branch, Minn.; Geo. G. Omerly, Commercial Exchange, Philadelphia; J. Edw. Omwake, Diehl, Omwake & Deihl, Chambersburg, Pa.; W. C. Palmer, Fargo, N. Dak.; E. P. Peck, Omaha, Nebr.; L. E. Potter, president Minnesota Farm Bureau Federation, Springfield, Minn.; Ole O. Sageng, State senator, Dalton, Minn.; T. Sanderson, Fargo, N. Dak.; J. H. Sinclair, Member of Congress, third district, North Dakota; A. C. Smith, Duluth, Minn.; Geo. H. Sullivan, Minnesota legislative committee, Stillwater, Minn.; H. Steenerson, Representative, ninth district of Minnesota; C. H. Tunell, chief inspector of grain, St. Paul, Minn.; Geo. M. Young, Congressman, North Dakota; J. W. Avery, Pillsbury Flour Mills Co., Minneapolis; A. L. Goetzmann, president Millers National Federation, Minneapolis; P. D. McMillan, Washburn-Crosby Co., Minneapolis; John D. Shanahan, Buffalo, N. Y.

Mr. SYDNEY ANDERSON. On behalf of the delegation from Minnesota and North and South Dakota, I want to express our appreciation of your very great courtesy in giving us this opportunity to present the matter which we desire to present. I want to introduce first the engineer of the expedition from the Northwest, Mr. O. P. B. Jacobson, railroad and warehouse commissioner of Minnesota.

Mr. O. P. B. JACOBSON. About a month ago our legislature passed a resolution appointing a committee to see if it was possible to modify the present Federal grades. Now, we have representatives from Minnesota; also representatives from North and South Dakota. We have selected men well known to the Northwest to bring this matter before you. At this time I want to introduce to you the Hon. Senator George H. Sullivan, of the Minnesota legislative committee.

Mr. GEORGE H. SULLIVAN. Mr. Secretary, the matter that this delegation comes to Washington to present to you this afternoon is to our minds and to the minds of all who are familiar with the situation one of the most important, if not the most important, problem that confronts the farmer to-day of the spring-wheat producing areas of the United States, notably the States of North and South Dakota and Minnesota. It is the question of grading spring wheat. The question is one that has been more or less the subject of discussion and debate and agitation for more than 40 years in Minnesota. I remember when I was a small boy that the question of grading wheat was uppermost in the minds of the American people of Minnesota. Campaigns were made and fought with the theory that the farmer was not being given a square deal in the grading of his wheat.

The subject was taken up by the legislature, and legislation was enacted providing for the establishment of grain grades through the board of appeals and grain and warehouse commission. These grades proved to be quite satisfactory and were in vogue in Minnesota, and were the grades used for grading wheat of the three States mentioned until about four years ago when through a certain campaign it resulted in the establishment of the Federal grades. The Federal grades as now in vogue and as in effect during the last four years have proved to be very unsatisfactory to the farmer particularly. The particular reasons for this will be given to you and will be shown to you by experts, but in a general way they are too complicated, too fine-haired, impracticable for use as between the farmer and the country buyer, or country elevator. That is the point at which the ordinary farmer loses all interest in the question of grain grades. The grain grades in order to be of service to the farmer and to the country buyer must be simple; they must be easy of application. The grain grades are nothing but a measure, and to use the term that some have used, we have been given a yardstick which the ordinary farmer can not read or understand, and the ordinary country elevator man can not properly apply. The distinctions are too fine to be drawn in a moment of hurry when the farmer drives up to the elevator and perhaps there are 40 or 50 wagons behind him. The manager of the country elevator can not take the time, and can not use the necessary instruments to determine accurately the grade of the particular wheat in his wagon. The country buyer is unable to determine, for instance, whether the wheat contains 14 per cent of moisture, or 15 per cent of moisture, making a great deal of difference in the grade, without resorting to instruments which it is impossible for him to use owing to the time and the delay necessary. He could not measure and accurately determine the grades of over a few wagonloads of wheat if he had to do that.

The SECRETARY. In order to make progress as we go along, Senator, as I understand the point at issue, it is between the Federal grades and the Minnesota grades.

Mr. SULLIVAN. Not exactly. We have prepared and will present to you this afternoon a tentative system of grades to take the place of the present Federal grades.

The SECRETARY. Now, the reason I asked you the question is that you are speaking of the difficulty of the farmer understanding, and I am wondering whether you might not point out the difference between the application of the present or Federal grades, and those you propose. Or do you intend to have somebody do that?

Mr. SULLIVAN. That will be better done by the experts by another method, and we will come to that a little later. I am only giving a general outline of the idea. In fact it means that the present system is so complicated, and requires such fine distinctions to be drawn that it is inapplicable to the situation of the country buyer and the farmer who brings his grain to him for sale. The result of that is this: The quotations on the market, say, for No. 1 or No. 2, or No. 3 do not mean anything in the country because the market prices quoted at Minneapolis and Duluth are shaded by these various distinctions. We will show many other things. For instance, farmer A bringing in a load of wheat that may be graded No. 3; and farmer B bringing in another load may be graded No. 2, and the two mixed together would sell as No. 1 on the Minneapolis Exchange.

The SECRETARY. Would that same thing be possible in these grades you intend to suggest?

Mr. SULLIVAN. We think not. We have our experts here who will demonstrate to you that the grades we will offer this afternoon can be sustained throughout and be shown to be so simple and so easy of application that when the money price is quoted for No. 1 hard spring wheat at Minneapolis the country seller and the country buyer, the farmer and the country elevator man, will know whether the wheat offered, the particular sample of wheat brought into the country elevator corresponds to No. 1, 2, or 3, and they will know the grade and the price accordingly.

Now, if the statements that I have made are true (and we think we will be abundantly able to show them to you), then it is no wonder that there has been produced by reason of this situation of being required to use the Federal grades a great amount of dissatisfaction. So great has been that dissatisfaction that delegation after delegation came to the Minnesota Legislature last winter. Representatives of the farm bureau came there representing 70,000 farmers, and many other country elevator associations, farmers' associations, came there complaining about the Federal grades asking the Minnesota Legislature to endeavor to have a modification so they would be simplified so they could be understood by the farmer and the country elevator alike, so there would not be the opportunity for discrimination against the farmer that it is commonly and thoroughly understood among the farmers in the section in question exists. They feel that because the country buyer is unable to accurately determine, for instance, whether a given sample of wheat should be graded No. 1, that the doubt is resolved against the farmer. That is the universal feeling among the farmers. Now, I take it that it is the purpose of this administration, it is the purpose of anyone having the administration of the Bureau of Markets or of standards of this kind, to allay any such feeling if there is any possibility of so doing.

The result has been that the legislature authorized the appointment of a committee of six, three from the senate and three from the house, to come down here to Washington and see what could be done in an endeavor to secure Federal grades which would meet the need of the hour, which would be so simple that they could be well understood by the seller and the buyer alike at country points. The trouble that we have in the country districts is one that does not extend to the terminal markets, such as Minneapolis and Duluth, because there they have all the various testing machines and apparatus necessary to determine these fine points. What we are interested in is a system that will be so simple that it can be understood and applied at the point of initial sale of the farmer's product. So we have come down here and with us come representatives of the various farm organizations from Minnesota, representatives from North and South Dakota, and while we have been here the representatives and experts from North and South Dakota met with the experts of the grain department of Minnesota and got together on a tentative system of grades that we are to offer here this afternoon. They have agreed, as I understand it, the three States, absolutely, and, as I understand it, the three States of North and South Dakota and Minnesota produce and market the great percentage of all the spring wheat in the United States. We do not ask for any modification of any other cereal—that of winter wheat or of any other grain—except that in which we are primarily interested and of which we are the great producers. I do not think it will be necessary for me to outline our case any further, but I want to call on a few of the representatives of farmers' organizations and of the legislature to state to you in a general way the situa-

tion, and then after that to call upon the experts and to lay before you the tentative plan of grades that we have to offer, and I want to say now that if there is any opposition to the grades we would be very glad to have it known this afternoon. If there are any disputed questions of fact or otherwise we would like to have that brought out at the close of our hearing so we might have a chance to make further explanation by way of rebuttal so that the case might, if possible, be entirely closed before you this afternoon or at such later date as might be possible.

The SECRETARY. It would be impossible to do that, Senator. There seems to be a very widespread interest. I have here some 25 telegrams that have come in this morning from different parts of the Western country protesting in many cases against the lowering of the grades and insisting that before any vital action shall be taken there shall be an open hearing held, preferably at some point in the West. The interest in it seems to be very general; so that it will be out of the question to close up the matter at this hearing.

Mr. SULLIVAN. Then we would ask for the privilege of being present at any other hearings and knowing somewhat in advance the nature of the protest and what challenge they make to our position. I would like to call upon Senator Ole C. Sageng. Mr. Sageng has been a farmer all his life, a farmer in a general way, and in a very particular way, with the issues presented to you this afternoon.

Mr. OLE C. SAGENG. Mr. Secretary, when the agitation for the establishment of Federal grades was started some years ago, as a farmer and as a representative of my State in the legislature I looked with a great deal of apprehension upon that agitation, fearing and fearing that the very excellent system of inspection which had been established in our State and developed in 30 or 40 years of effort might be impaired and that the agricultural interests of our section of the country would not have their interests represented in the Federal grades as much as they have been represented and taken care of under our Minnesota inspection. I will say, however, frankly here that I could not deny to myself a certain logical reason in favor of the Federal grain inspection, because while grain may be produced our grain in the Northwest, the spring wheat section, may be produced there, it is sold and consumed all over the country, and I could not deny to myself a certain logical force in the position taken by them that we ought to have a Federal system.

I was fearful, however, that in the Federal system the interests of our State, of our section of the country would not be taken care of to the extent that we have been able to take care of them in our State inspection system. What I feared has happened, in my judgment. We have suffered in the Northwest, in the spring wheat section of this country, under the Federal grades. As has already been outlined here by Senator Sullivan, they have been too technical and too fine-spun for their successful application on the part of the grain buyers of the Northwest. I have been for many years an officer and director of our local farmers' elevator, and I know of some of the complaints and some of the troubles they have been up against on account of the Federal inspection system. This has resulted in widespread discontent in our State and in other neighboring States. We have felt it and we have come in contact with it in the legislature very, very emphatically. Two years ago the Legislature of Minnesota by a practically unanimous vote passed a resolution requesting and authorizing our boards of grain appeals, which are the grade-establishing bodies of our State (we have two boards, but they act jointly) to again establish Minnesota grades practically as they were at the time of the establishment of the Federal grades and put them in force, in so far as they could do so, on wheat that was shipped in from Minnesota points. Our boards of appeals have seen fit not to act under that resolution of two years ago which was a mere authorization on the part of the legislature for them to act along this line. I think, perhaps, wisely. We have been hoping for these many years in Minnesota that these Federal grades would be so modified that they would meet our situation and give us that which we have been praying for.

We were hopeful at the time of our last hearing, before your predecessor, Mr. Secretary, that we might get these modifications. We fell down on that hope, and that pressure upon the legislature reappeared this year, not in a resolution authorizing the boards to reestablish Minnesota grades, but there came to us in the senate from the house a resolution, concurrent resolution absolutely compelling the board of grain appeals in our State to reestablish Minnesota grades or grades substantially as they were at the time when the Federal grades went into effect. When that resolution appeared in the senate it occurred to me, and it occurred to other members of the senate that possibly that was not the wisest thing to do, and before we acted on it, on my suggestion, in collaboration with Senator Sullivan and other members of the senate, we put on a proviso that in the event that the Federal grades are modified so as to conform in a substantial way to the Minnesota grades as they were before the Federal standards went into effect, in that event our local board should establish the

Federal grades as our Minnesota grades. Now, we are a part of this Union, Mr. Secretary; we want in Minnesota to play ball with the other States of the Union as much as any other State, and we would much prefer, I confess freely myself, not to play a double or a dual system. I can see the inconvenience and I can see friction that will naturally arise from such a system, and that is why, on my suggestion and that of others, we modify the resolution to the extent that if such modifications are made with the Federal grades that they become as favorable to the Northwest as we feel they ought to be, in that event the Minnesota grades as they should be formulated by our board shall be identical with Federal grades. The resolution, and I shall give you a copy of that resolution, together with a resolution which authorized the appointment of the committee which is here to-day, passed in that amended form. That is the situation as it exists to-day.

At the same time, however, we felt that if there was anything that we could do that we have failed to do to impress upon the authorities in Washington that certain modifications should be made in our Federal grades we were anxious that that should be done, and that was the reason why on my suggestion, together with Senator Sullivan, this committee is here to-day. We feel very strongly on this matter, we farmers do, and the business interests of Minnesota do, because it is a matter in which we are deeply and vitally interested. The farmers of the Northwest, and, for that matter, I think the farmers of the whole country, are facing a critical situation at this time. This is one of our serious grievances in this matter of grain grading and we feel very strongly that we are entitled to some relief, and we are very hopeful too that we can have it at this time. I sat in the grandstand of the Minnesota State fair last fall when Senator Harding delivered that memorable speech to these thousands of farmers and others who were there. I was very deeply impressed with his evident interest and concern for the welfare of the agricultural interests of this country. And that is one of the reasons why, as well as the expressions of interest and understanding of the problems of the farmers of this country which I have repeatedly seen coming from you, Mr. Secretary, that these are some of the reasons why we are very hopeful at this time that this relief on this matter may be granted to us. I do not feel that it is necessary for me, indeed I confess that I am not competent to go into a discussion of the technical features of this case, but personally I want to express to you, Mr. Secretary, our appreciation of your kindness in giving this opportunity to be fully heard in this matter. I hope that we may have, if not all that we are asking for, so much of a measure of relief that this great wave of discontent which is sweeping over our part of the country in large part from the injustices and disadvantages which we feel we have in this matter, may be allayed.

Mr. SULLIVAN. There have been organized in Minnesota farm bureaus, and, as I understand it now, that farm bureau has a membership of 70,000 farmers. The president of that association is here to-day. He is but a plain farmer, but wishes to bring to you the message that we all have in our hearts. I will now introduce Senator L. E. Potter, president Minnesota Farm Bureau Federation.

Mr. POTTER. Mr. Secretary, I have but very little to say. It has already been told to you whom I represent. As president of the Farm Bureau Federation in Minnesota, I have farmed in Minnesota practically all my lifetime. For 15 years I was president of a local cooperative farmers' elevator, so that I have had some experience with the difficulties of this grading proposition. It has already been said to you practically what we desire. We have a great deal of dissatisfaction in our State. At the beginning or before our State legislature went into session we had a conference of our organization, and it was my privilege to appoint a legislative committee of three to take up with our legislature the problems that we have been looking after. This grading proposition was one of those problems. I went so far as to send out referendum or bills regarding our marketing problems, etc., without any suggestions of what attitude the farmer should take of that, a true referendum. And on all those questions in regard to our markets, etc., as it has been repeated, were unanimous that there should be legislation taken along these lines. Of course, we realized that it was a national affair in a measure, but at the same time unless our district that is producing this grain showed definitely that we stood for these things we had no way of convincing Congress nor our Department of Agriculture, nor anybody else, that we really meant it. We drew up an agricultural program for the State of Minnesota; last December we presented that to the legislature. Our legislature have recognized the needs and worth of this movement to the extent that they have granted us practically all we have asked for, and I was requested by this legislative committee to come down here representing our farmers' organization. I would say it is not only the numbers of the farmers that have joined our organization that are in harmony with us in this question, but it is practically unanimous.

There is a very dissatisfied sentiment all through the country because other delegations have been here asking for this relief, without any beneficial results, or without getting what they asked for. With the temper of our people up in the Northwest it is necessary, I think the moral effect is necessary to bring about a more satisfied assurance that they will be recognized. I have been in Dakota and I believe the gentlemen from Dakota will bear me out in this statement. The farmers have gone on and worked and put their crops in and went to the limit of their ability in hopes that they would be given relief, and unless something is done to relieve this dissatisfaction I am a little fearful of the results. We need to produce, and I have always refrained from issuing any statement of curtailing production or trying to monopolize anything. I believe that we should have an opportunity, as long as our people, our farmers of our State and of our Northwest and of the United States are producing the food crops to feed the world, I believe we should have something to say that we can comprehend our problems and our situation so that we know before we get the returns, you might say, what the conditions are and what we can depend upon.

I want to thank you in behalf of the farmers of Minnesota for the privilege of a hearing.

The SECRETARY. Mr. Potter, would you mind if I ask you two or three questions? I would like to get the farmer's point of view. First let me say that none of you need to thank me for this hearing. As I conceive it, it is my job to hear these things and you are not under any obligations to me for that. Do you think, Mr. Potter, that it is an advantage to have Federal grades?

Mr. POTTER. I think that it would be if they were of a character that would be useful.

The SECRETARY. Do you think that the Federal grades as they are in force now are inferior or less satisfactory than the old Minnesota grades, for example?

Mr. POTTER. I know they are to the grower and to the local elevator.

The SECRETARY. Will you tell me just why? Will you illustrate it by taking one grade, for example?

Mr. POTTER. Yes. We will take the grade of No. 1 wheat. In the first place our local elevators are not qualified and equipped to take a moisture test.

The SECRETARY. Just before you go into that, let me ask you, do you think it is an advantage in establishing a grade, whether national or State grades, do you think it is an advantage to establish that grade in such a way that it can be determined by weights or measurements or percentages in some exact way rather than by the sense of touch or the judgment or the eye. Should it, so far as possible, be made an exact definable grade?

Mr. POTTER. Not to these fine specific points. There is the trouble.

The SECRETARY. Take the matter of moisture. Do you think that we should say that a grade should contain no more than a certain percentage of moisture.

Mr. POTTER. I should say that a grade should contain no more moisture than it may contain and be a good, storable, marketable product.

The SECRETARY. How will you determine that?

Mr. POTTER. Well, I think from all the information I can get that some of our very best wheat has a high moisture content. This year in our State, where we had a lot of shrunken wheat, we are very low in moisture content. Here is the trouble now in our elevator, for instance. Here is a man coming in with a load of wheat and we have no machinery and it will take about 30 minutes if he is an expert to take the moisture content of that load of wheat. You can see the condition we are in with these teams waiting. The country elevator can not afford to have but one man while he is unloading.

The SECRETARY. That is, in the practical dealings in the country elevator, you question the practicability of having definable grades at all.

Mr. POTTER. Oh, I would have grades. The local elevator has not room; they probably will average in Minnesota around five or six bins to the elevator. And we have to have the different varieties of grain—oats, barley, rye, corn, flax, and how much room have we for grades of wheat?

The SECRETARY. Well, then, how far would you go in grading wheat at all?

Mr. POTTER. Oh, I would go about three or four grades.

The SECRETARY. Three or four?

Mr. POTTER. Yes.

The SECRETARY. Well, now, will you just explain to me the farm point of view between your grade No. 1 northern spring of Minnesota and the Federal grade?

Mr. POTTER. I would not be able to give you any enlightenment on this.

Mr. SULLIVAN. We can call another witness.

The SECRETARY. But I wanted to get that from the farmer's point of view.

Mr. POTTER. The way it strikes us when we come into this elevator, for instance, I have been there and helped our buyer off and on for the last 15 years in trying to

adjust the difficulties, we don't know when we are buying this grain and put it in because of this distinction if it is liable to get too near on the moisture proposition. Put the moisture proposition on all grades so there is no question that they will be able to change the grade. That is one thing. Another thing is in regard to the dockage proposition. We want it called dockage; all the dockage that is in there, and not depreciate the grade on account of certain dockage. It does not impair the value of that wheat, and we can not say, for instance, here is wild peas, 2 or 3 or 5 per cent in this man's load of No. 1 wheat, but in my load that I bring in there is no wild peas. Can he put my load without wild peas in a bin and have another bin of No. 1 with 3 or 4 per cent of wild peas which drops his grade three points, and another man's with only 2 per cent which drops it one point?

The SECRETARY. Now, you bring in wheat with no wild peas, while your neighbor takes in a load of 3 or 4 or 5 per cent of wild peas. Do you think you should have more for your wheat?

Mr. POTTER. No; not if he has 60 pounds of good wheat, just as good as mine was, because they take the wild peas out after we pay the freight on it.

The SECRETARY. You think there should be no difference in the grade?

Mr. POTTER. Not on account of the grade, but he should have the dockage taken away from it.

The SECRETARY. Now, do you think there should be any difference between wheat which is free from certain weed seeds which you have there and wheat which contains these weed seeds? Take rye, for example; should there be any difference made between the load of wheat free from rye and the load of wheat which contains, say, 2 per cent?

Mr. POTTER. That is a technical point. We would not consider rye as dockage. That is a point where the rye can be used in milling, and I am not expert enough to know. Rye is a cereal.

The SECRETARY. I am just trying to get the practical farmer point of view.

Mr. POTTER. Rye is a cereal that does not hurt the wheat up to a certain extent.

The SECRETARY. Can you give me now, from the farmer's point of view, can you tell me the difference in these two grades, the Federal grade and the old Minnesota grade?

Mr. POTTER. Well, according to our Federal grade, for instance, 2 per cent of wild peas would throw it into No. 2.

The SECRETARY. I mean, just take these two grades and compare them for me. Now, from the farmer's point of view, what is the difference?

Mr. POTTER. It is almost impossible for the average man to define, to get down to know just where to divide that fine-spun point.

The SECRETARY. But how are you going to determine what is dry wheat under the Minnesota grades?

Mr. POTTER. A man that has raised wheat and handled wheat can put his hand in and tell whether it is dry wheat that will keep in the bin. It is, you might say, a dampness; it is not the moisture content of the wheat; it is not the natural moisture content of the wheat. If a man brings in damp wheat it makes a lot of difference. You can easily detect that and know where to put it and take care of it; but here is wheat that comes in here under the Federal grades that has 14.1 of moisture in it, and you have to put it down in a lower grade when it is absolutely all right and would be all right if it had 15. I would say the moisture in all grades, if you make it 15 per cent, it will stand; and the best wheat contains the most moisture.

The SECRETARY. Can you give me an idea, one year with another, what percentage your wheat contains?

Mr. POTTER. I could not tell you. But the trouble is this fine point: My neighbor brings in wheat that has too much moisture in it; his wheat is depreciated, and he gets sore because my wheat that has a little less moisture gets No. 1.

The SECRETARY. Do you suppose there are 10 or 15 or 25 per cent of the wheat in your neighborhood that would have more than 15 per cent moisture?

Mr. POTTER. I could not tell you; we never take the moisture; we had to put it all in No. 1 bin and mix it all up.

Mr. JACOBSON. Let me answer that. These last three years have all been dry years.

The SECRETARY. How does it run?

Mr. JACOBSON. Probably 3 or 4 per cent has been lowered on account of the moisture. Some years we have very much more. Now, when we had the Minnesota grades, we allowed 15 per cent moisture and almost any man in the country could tell by feeling of the wheat, because they were used to it; but after the Federal grades came into effect they only allowed us 13 $\frac{1}{2}$, and nearly all the shock-thrashed wheat thrashed in Minnesota and North and South Dakota, even if it is very dry, if it is shipped right in from the machine it contains over 14 per cent of moisture. Consequently lots of

cars are graded down Nos. 2 and 3 because it contains more than 14 per cent, which the Federal bureau advanced a couple years ago from 13 to 14.

The SECRETARY. I am just trying to get the farmers' point of view.

Mr. POTTER. You see, we don't understand it; we are mixed up on it.

The SECRETARY. Much obliged to you, Mr. Potter.

Mr. SULLIVAN. I will call on Mr. McGovern, of North Dakota.

Mr. McGOVERN. I just want to take up one phase of the matter, and the other gentlemen from North Dakota will make a more extended explanation. I would like to show you the effect that the sales of wheat have upon the grades and the grades on the sales.

The SECRETARY. What line of business are you in?

Mr. McGOVERN. I am the chief deputy grain inspector for North Dakota. I will just show you a sample of one dark northern spring wheat. The test weight is 59 pounds; it has one-half per cent of wild peas, which the Federal grades will carry. Take the April 20 market, the No. 1 dark northern, the average sale was \$1.48 at the terminal market at Minneapolis. I show you a sample of No. 2 dark northern spring wheat. The test weight is 59 pounds; it contains 1 per cent wild peas. The average sale is \$1.41, a loss of 7 cents per bushel. That loss is on account of having one-half per cent more of wild peas than the No. 1. I show you sample No. 3. No. 3 in the Federal grades will carry matter other than cereal grains a total of 2 per cent. I show you a sample of 3 dark northern spring wheat; test weight, 59 pounds; contains 2 per cent wild peas. The average sale on the 20th of April was \$1.22, or a loss of 26 cents per bushel, compared with the No. 1 dark northern, on account of having 1½ per cent more of wild peas than the No. 1 dark northern. If you examine this wheat, you will find that it is all choice and the same wheat. I show you a sample of No. 4 dark northern spring; test weight 59 pounds; contains 3 per cent of wild peas. The Federal grades will allow matter other than cereal grains a total of 3 per cent. The average sale on the 20th of April, the same dates as the other sales, was \$1.11 per bushel, or a loss of 37 cents to the raiser of this grain comparing it with the 1 dark northern, on account of having 2½ per cent more of wild peas than the No. 1.

I show you sample of No. 5 dark northern spring wheat with a test weight of 62 pounds, with 5 per cent of wild peas. The No. 5 of the Federal grade carries a total of 5 per cent of matter other than cereal grains. The average sale on that wheat on the 20th of April was \$1.05 per bushel, a loss to the raiser of this grain of 43 cents per bushel, for the reason that it had 4½ per cent more than the No. 1 dark northern. I show you a sample of the sample grade dark northern wheat that has a test weight of 62 pounds to the measured bushel that contains 5½ per cent. The No. 5 of the Federal grades carries 5. This is one-half per cent more than the No. 5, and places it in sample. The average sale of this sample wheat on the 20th of April, 1921, was 96 cents, or a loss to the raiser of this grain of 52 cents per bushel simply because it had 5 per cent more of wild peas than the No. 1, or a difference of 9 cents per bushel between your sample grade that has 5 per cent and the sample which has 5½. The man was penalized because it had a half per cent more, or if it went over 5, a quarter, it would go in as sample. Now, these peas are cleaned out. I speak of wild peas because we had samples that had peas in them. We have kingheads; that comes under the head of other material—wild peas, kinghead, wild rose, and corn cockle. I thought I had some here to show you, but this can be readily cleaned out, and there are two ways to take care of this at the terminal market. That is, the mixer would take one car of that sample and he would take two or three cars of perhaps a lower grade. You see he has 62 pounds; he can bring that down to 59 pounds and be within the Federal grades. He has 4 pounds there to work on. He could mix that with two other cars, perhaps, of a lower grade; he could make that No. 1 by mixing and losing that pea.

The SECRETARY. These can be separated by the ordinary fanning mill?

Mr. McGOVERN. Well, I would not say by the ordinary fanning mill, but the mills have cleaning machines.

The SECRETARY. Well, these could be separated by a good farm fanning mill?

Mr. McGOVERN. Well, it can be separated in the mills, not by a fanning mill.

The SECRETARY. I understood you to say it was easily separable.

Mr. McGOVERN. The big mills have separating machines.

The SECRETARY. What does it cost to separate it?

Mr. McGOVERN. They charge out in our State 2 cents a bushel for cleaning the grain.

The SECRETARY. The difference in prices you quoted there would make it very profitable to separate it. The farmers could unite and have a cleaning arrangement.

Mr. McGOVERN. Well, the farmer is not equipped with the capacity to handle all this grain, not always. He has to ship out a great deal of this grain, but that is the way the Federal grades actually work out. Now, I am a believer. I believe that the

United States grain standards act is all right, the law itself; but we have no use for the Federal grades as they are now established.

The SECRETARY. Do you think there should be Federal grades?

Mr. McGOVERN. Yes, sir; I am a believer in Federal grades.

The SECRETARY. Do you think they should be established in such a way as to be determinable by definite rules and measures? For example, by representing the moisture percentage, or foreign material, rather than by judgment of the individual inspector.

Mr. McGOVERN. I would like to have the rules made by the Federal Government so that that elevator out in the country could handle this grain. At the terminal markets they have everything there to do with and have plenty of time. When the farmer is thrashing his grain the elevators are very busy. They have usually in the farmers' elevator perhaps two men for a couple of months. The line elevators have one man. Now, they handle a great deal of grain. It is not an unusual thing for a farmers' elevator to take in from 25 to 30 loads a day, and he has to make a record of his grain, but the manager of the farmers' elevator or the country elevator has not the time to inspect this grain under the Federal rule. As far as that moisture content is concerned, I would say that we would not care much about the moisture placed at 15 or any other amount. We think that in the handling of grain if a man running an elevator could not tell whether grain is fit to bin or not, that it is not fit to run in an elevator, and that is the way the elevators are operating; it is all on judgment, without any instruments. They have not the time to test out the moisture.

The SECRETARY. Well, from the farmers' standpoint, first under your old grades, or the grades rather to which you wish us to return, how would these six samples be graded?

Mr. McGOVERN. Well, it has been a good many years since we had the Minnesota grades. We have been working under the Federal grades for the last four or five crops.

Mr. SULLIVAN. You want to know under the proposed grades?

The SECRETARY. Yes; under the proposed grades.

Mr. McGOVERN. Well, I could answer that question. If you will place this inseparable material that we are talking about, if you will place that as a dockage, it would all grade No. 1. That is what we are asking for, this material, corn cockle, and wild peas, etc., we ask that that be dockage.

The SECRETARY. You advocate that?

Mr. McGOVERN. Yes.

Mr. JACOBSON. It is only the last few years they have had wild peas.

Mr. McGOVERN. Yes, sir.

Mr. SULLIVAN. How would you handle the dockage? Have your wheat graded by itself and the dockage thrown out entirely?

The SECRETARY. Here are six farmers, coming in one after another. How would you as an elevator man—just what process would you go through there to determine the dockage?

Mr. McGOVERN. The first thing is to weigh the wagonload. We then dump it and weigh the wagon back; keep a record of both weights, and while it is being dumped or the grain running out of the wagon box we take a representative sample. When he gets through he mixes the sample all up and weighs it.

The SECRETARY. He does that the day after.

Mr. McGOVERN. No, sir; right there on the spot, and he separates them with an Emerson kicker or perhaps a Cohen separator. He separates this dockage; he then weighs his dockage back; he then makes a test weight of the wheat to determine the test weight, and then he weighs the dockage back and makes a record, of course. Then he issues a ticket, a scale ticket, to the farmer, giving him all this record.

The SECRETARY. You put all this foreign material in as dockage?

Mr. McGOVERN. Right in as dockage. And you heard of this man losing 52 cents per bushel on that wheat. That wheat right there is the same as that No. 1, only that is a heavier test-weight wheat. The sample is heavier than the No. 1.

The SECRETARY. As far as you are concerned, you would take no account of the moisture?

Mr. McGOVERN. I do not care anything about moisture.

The SECRETARY. In your proposed grade you do.

Mr. McGOVERN. Yes; we think if the moisture was high enough, if it goes over 15 per cent, that the average grain man should be able to determine by the feeling of the grain itself. He knows whether it is fit for the bins or not.

Mr. SHANAHAN. I want to ask him if the samples he has shown represent actual official inspections of the grain, or are they samples made up of those various percentages to show possibilities and not probabilities? Also if the prices mentioned and the conditions represent actual market values paid and received for the various wheats?

Mr. McGOVERN. Of course, that can be answered, but I do not know whether that gets any favor; we are talking about Federal grades, sir.

Mr. SHANAHAN. The point is, Mr. Secretary, that I contend that no such conditions will be met in any market, any wheat market, as he has mentioned for the differences in the quality of those wheats.

The SECRETARY. I assume that those samples were made up to illustrate a point.

Mr. McGOVERN. We are talking about Federal grades and buying on Federal grades.

Mr. GOETZMANN. These grades are made up to illustrate a point he is endeavoring to make. I therefore beg to get into the records a challenge of the fact that there was a 52 cents loss to this man due to this difference. It is only necessary to look at the varying values of the different grades in any market to see the point that I am endeavoring to make.

Mr. SANDERSON. That would depend upon whether the market was a sample marketlike the board of trade in Minneapolis. If it was a country elevator, that would be different.

Mr. McGOVERN. As an elevator man I would ask that these grades be simplified and made so that the man who runs the country elevator man can grade the grain correctly for the farmer.

The SECRETARY. Supposing that six loads of wheat, illustrating, each of those should come in to your elevator under present conditions, under Federal grades, how would you pay for these six loads of wheat?

Mr. McGOVERN. You would pay for them on their grades. There is the trouble. He is talking about a terminal market; I am talking about a country market. If that was No. 5, I would pay No. 5 price.

The SECRETARY. I am speaking to you as a country elevator man, and those six loads of wheat come in to you.

Mr. McGOVERN. I would pay on the grades, and I think you would find that every elevator man would do the same thing.

The SECRETARY. Is that the general custom?

Mr. McGOVERN. That is the rule in North Dakota, because I am at the head of the grain-inspection department and have charge of the elevators and the buyers.

Mr. SULLIVAN. I would like to ask Mr. McGovern a few questions. What is the fact as to wheat containing moisture? That is, as to special grades of wheat, say No. 1 and No. 4, under the present Federal grades which will hold the most moisture without detriment to it?

Mr. McGOVERN. Why, the better grades should hold the most moisture.

Mr. SULLIVAN. Without detriment?

Mr. McGOVERN. Certainly.

Mr. SULLIVAN. In these tentative grades, this tentative schedule, we have asked that there be four grades of wheat, and that there be no detriment to the wheat on account of moisture at all; that it be not made a part of any grade designation.

Mr. McGOVERN. Yes, sir; this sample, if it is over 15 per cent, would be excess moisture.

Mr. SULLIVAN. Whatever the excess is?

Mr. McGOVERN. Yes, sir.

Mr. SULLIVAN. Why do you say 15 per cent?

Mr. McGOVERN. We think if it ran much over 15 per cent that elevator manager there would be able to detect it, and under 15 per cent he could not do it.

Mr. SULLIVAN. All wheat that contains 15 per cent, can it be warehoused safely?

Mr. McGOVERN. I think so.

Mr. SULLIVAN. You say it is not practicable that a country elevator man can use the necessary instruments to determine moisture within a fraction of 1 per cent?

Mr. McGOVERN. By judging.

Mr. SULLIVAN. Without an instrument you can not determine it?

Mr. McGOVERN. Oh, I do not think so.

The SECRETARY. What would be your guess on that? [Indicating sample.]

Mr. McGOVERN. I would say that would not go over 10 per cent.

The SECRETARY. Would you give the same guess on all of it?

Mr. McGOVERN. Yes; they are about the same thing.

Mr. STEENERSON. It dried out since it came from the farm?

Mr. McGOVERN. Yes; it has been on the road two or three days.

Mr. SULLIVAN. Mr. McGovern, in the present Federal grades there is a distinction between bright color and good color. What criticism have you to make on that?

Mr. McGOVERN. I would say that the bright color—in the first place, I would say to correspond to the dark it is required that the berry be a dark-colored berry to go into the hard. I could not call a dark berry a bright berry.

Mr. SULLIVAN. Does it make any difference in the milling or other value whether the grain have a shiny—a bright color or good color?

Mr. McGOVERN. I do not think it makes any difference even though the berry was bleached so far as the color is concerned.

Mr. SULLIVAN. What is the effect on the farmer bringing his grain into the country elevator?

Mr. McGOVERN. It has the effect of placing it in a lower grade or even in a lower sub-class. It is very liable to place it in a northern spring instead of dark northern.

Mr. SULLIVAN. As a matter of fact, two samples of grain, one having a good sound color, but not bright, and the other having a sheen of brightness, is there any difference in milling or other value between the two samples, all other things being equal?

Mr. McGOVERN. No, sir.

The SECRETARY. Is there a difference in the terminal markets made on that?

Mr. McGOVERN. In the milling, you mean?

The SECRETARY. When the wheat goes to the terminal market,

Mr. McGOVERN. They take advantage of all those things they can; when they come to buy wheat, if it is not a bright color they discount it.

The SECRETARY. Then, suppose you have a wide range of No. 1 in which various colored wheats go into that wide range. Would it be possible for the elevator, the local elevator or the terminal market man, to separate that out and have two or three grades in it?

Mr. SULLIVAN. I do not think there would be any object or any possibility of doing it.

Mr. JACOBSON. In case we get in a car of wheat like this, our inspector gives that grain really the place that ought to be there and it has not got the color, the miller, Washburn-Crosby or Pillsbury—I see Mr. Pillsbury's man here—they take that sample up to the Federal office, Mr. Miller, and Mr. Miller will come down and criticize our inspector.

Mr. SULLIVAN. Is it sent back?

Mr. JACOBSON. I am stating this because my friends are right here.

Mr. SULLIVAN. Mr. McGovern, I notice in this tentative classification of grades that have been offered by Minnesota, North Dakota, and South Dakota for the Secretary that the test weight for grade No. 1 is given as 57 pounds, while the No. 1 Federal grade requires 58 pounds. Why is that; why is that modification?

Mr. McGOVERN. One reason is, that we ask that there be more wheat go into the No. 1 than at the present time. That is one reason.

Mr. SULLIVAN. There are 58 pounds required now and 57 that we suggest that there should?

Mr. McGOVERN. Yes, sir.

The SECRETARY. Would the price in that case vary to take care of that, then?

Mr. SULLIVAN. Well, possibly it might. The reason for that, Mr. McGovern, is because of the difference in the gluten in the spring wheat, is it not, as compared with the winter wheat?

Mr. McGOVERN. That is one reason.

Mr. SULLIVAN. What other reason is there?

Mr. McGOVERN. Well, I said that we would get more No. 1 than we are at the present time.

Mr. SULLIVAN. There is more milling value in the spring wheat than in the winter wheat?

Mr. McGOVERN. Oh, yes.

Mr. SULLIVAN. So far as the percentage of rye in No. 1, the present Federal grade permits 1 per cent, and we ask that 2 per cent be permitted. Why is that?

Mr. McGOVERN. We have a miller here from North Dakota who will answer that kind of questions. I think that the answer would be, as I understand it, that 2 per cent of rye would not discolor the flour, perhaps. But I think the miller will answer that question.

Mr. SULLIVAN. Is there any other statement you care to make?

Mr. McGOVERN. I think that is all, only I would like to say that you are looking at the best wheat that is raised in the world.

Mr. SULLIVAN. Is there anything more you want to say?

Mr. McGOVERN. Well, the farmers of North Dakota are very dissatisfied with the grades. They are so much dissatisfied that they have always sent a representative to any of the meetings that have been held by the Secretary of Agriculture. They have been to Montana, Chicago, Washington, Minneapolis, and other places. We have a gentleman here who will speak before we get through—Mr. Hagan, who attended all of those meetings. As long as there are millers here I would like to make this statement, that these Federal grades, in my opinion, were made for millers and by millers. Take that as you like. I thank you very much.

The SECRETARY. I do not think it is quite fair to allow that to go, Mr. McGovern. While I did not have anything to do with it, I have a great deal of faith in the integrity and purpose of the people in the department who have handled this subject in the past. They may have made mistakes, but I do not think your statement is fair.

Mr. STEENERSON. I have attended all of these hearings from the very start, both before the Secretary of Agriculture and the man at the head of the Bureau of Markets, Mr. Brand, and others, and when these Federal grades were first proposed the only justification that he offered was that he had submitted it to the grain trade and it was satisfactory to the grain trade throughout the United States. That is the record. I will furnish the hearing where you can read it yourself. I do not say that he wanted to be against the farmer, but he supposed the trade knew all about it. The theory of this bureau was that the only men who knew about this business were the millers and the scientific chemists they employed, and they formed these grades just exactly as Mr. McGovern has stated.

Mr. SULLIVAN. I would like to introduce a gentleman who has been a member of the State Legislature of Minnesota for a number of years and who has been chairman of the grain committee and is a farmer—he has been all his life—and is a member of the committee representing the House of Representatives of the State of Minnesota, charged with the duty of coming here to present this matter, Mr. C. M. Bendixen.

Mr. BENDIXEN. Mr. Secretary, I almost feel that the ground is being so thoroughly covered that perhaps anything I could say would be a waste of time rather than of any value as information. However, as has been said, as stated by Senator Sullivan and Mr. McGovern. I do know that there is general dissatisfaction on the Federal grades throughout the State of Minnesota, at least, and I presume that there is throughout the northwestern country as a whole. Now, as has been stated, Mr. Secretary, the trouble with these Federal grades is that they are too technical. As has well been expressed, they are too technical for the country buyer to apply them, for the reason that he has not the time and perhaps not the facilities and the farmer has to be the loser for the reason that the country buyer, in order to protect himself, must buy in a way that he is sure that when he ships his wheat to the terminal market he will not be the loser. Before I came down here I called up our local buyer there. I am the president of the Farmers' Elevator in Morgan. I called him up and asked him to meet me, and he met me at the depot, and I asked him the principal complaints about these grades. He stated that there are two particular things he would like to emphasize. The first was, as has been stated here, this reducing the grade of wheat because of foreign material. He says, "first they are docking us for this material and we are losing on the quantity, and then they reduce the grade on us and we stand a double loss because of this foreign material." Now, he says, "we are willing to stand dockage, although that dockage is valuable."

Now, it was mentioned here, I believe, that the gentleman over there intimated, for instance, that wild peas could not be separated from wheat, and we know, and I believe Mr. Jacobson will bear me out, that carloads of wild peas have been shipped from Minneapolis, so they must have been separated; and while wild peas as a food product is very valuable, but although we are willing to stand that loss if we have to, we do not feel that it is justice to the producers nor to the country shipper that on top of that loss we shall suffer reduction in the grades, as Mr. McGovern demonstrated here, sometimes amounting to as high as, I believe, 42 cents in a certain case. Another point that this buyer made to me was the moisture. Now, some years ago, I believe it was at the session of 1913, that a committee was appointed by the Minnesota House of Representatives to look into the grain trade in general. It was at that time that committee was appointed, of which I was made chairman, and we went thoroughly into all the phases of the grain there, and this moisture proposition, and at the suggestion of the committee the railroad and warehouse commission installed certain instruments or facilities for testing what moisture wheat may contain and still be safely stored. And that demonstration has shown, Mr. Secretary, that it may contain 15 per cent and still be safely stored. Now, as was said, I believe by Mr. McGovern, that a country elevator man, of course, can not apply these scientific tests to the wheat when it comes into the elevator, but if the allowance is liberal, so to speak, for instance, 15 per cent, he will at least come very close to judging whether that wheat contains more than 15 per cent moisture. Now, that is the way that wheat was tested under the old Minnesota grades, so the moisture content was increased to 15 per cent. I believe we will be pretty safe in believing that the country buyer can ascertain whether the wheat contains more than 15 per cent or not. These are the principal points he mentioned to me, and all those other points have been covered very fully by the previous speakers, and we have, as has been stated, some scientific experts with us here that will perhaps go into these various reasons why the grade should be modified in other respects.

Now, as to rye, I have some good information that 2 per cent of rye will not decrease the value of flour in the least. Rye, of course, is inseparable from wheat, but we believe that 2 per cent should not decrease the grade of wheat because it will not decrease the quality of the flour and we all know that is the ultimate purpose of wheat, to make flour and bread, and as long as it will not decrease the value of the flour we do not see why it should decrease the value of the wheat from which this flour was made. Now, I do not know, Mr. Secretary, that I can add anything more.

The SECRETARY. Do you think it is an advantage to have Federal grades?

Mr. BENDIXEN. Well, it probably would be, provided the Federal grades could be so established and so modified that it will apply to our section of the country, but the trouble with Federal grades, Mr. Secretary, as well as with a great many other questions, industrial or political, or whatever you wish to call them, this is an extremely large country, as we all know, and conditions are different. I, for one, I am one of those that is inclined to believe that we are drifting a little too far toward centralization of power in the Federal Government. I will admit, that because I see conditions in various parts of the country, it is pretty hard to apply Federal rules that will do justice and equality to every section of the country. I would not say that I am opposed to Federal grades if they can be so modified that they will serve us in the States, but we have our reasons, real good reasons in believing that we are not getting justice as they are established now.

We believe that they are more fitting, for instance, to a winter wheat growing country than they are to our conditions. Now, we all know that the wheat we grow is comparatively light in weight, but while we also know it is the very best flour-making wheat that is raised in the country, perhaps in the world, still it is not as heavy as the winter wheat because it has to develop in a comparatively short period, as you know, as well as I do, so that it is pretty hard to apply rules that will do justice to us and still be fitting for the district where they grow that heavy winter wheat. I thank you.

Mr. JACOBSON. I just want to say a few words, because I see so many of my old friends. I always fought the Federal grades, and I do not think I would feel good to go home without repeating that I always fought the Federal grades. I appeared before the committee against Federal grades, but I will say this that we would accept Federal grades in Minnesota if they were modified so with them we could promulgate the same grades as the Federal authorities.

The SECRETARY. You think there should be Federal grades?

Mr. JACOBSON. No; I would not say there should be, but we will accept it. I never believed in Federal grades. The other two Secretaries knew me.

The SECRETARY. You don't favor Federal grades at all?

Mr. JACOBSON. No; I do not favor Federal grades at all, but I do not like a double system as we naturally would have in Minnesota, and all the inspection departments are under the railway and warehouse commission, and I have charge of that department.

The SECRETARY. You favor grades of some sort.

Mr. JACOBSON. Sure.

The SECRETARY. Now, in establishing grades you think that so far as possible the grades should be established by definite rules or measurements or percentages, or largely by a matter of judgment.

Mr. JACOBSON. Oh yes; I believe in that. Now, I want to say a little about the 15 per cent moisture. I was a member of the committee that rented elevators in Duluth, and we put in there thousands of bushels of grain of the different test weights, and different moisture, and Mr. Bailey, of the Agricultural Department of Minnesota, and Mr. Thatcher, of the university, together with our chief inspector and assistant chief inspector took care of all that grain during one year, and we found that all wheat that had 15 per cent moisture or even a little more kept in a warehousable condition for a year or more. When it come up to 15 $\frac{1}{2}$ or over, then it heated so we had to take it out of those bins, but we tested it for a whole year. We didn't do like the chemists do, take a few samples and try it out, but we had thousands and thousands of bushels of grain of the different varieties.

The SECRETARY. What year was that?

Mr. JACOBSON. That was in 1914, and I would like at this time, I do not think it is necessary, but I would like to put on some of the experts we have here. I would at this time call on the man who has been a member of the board of grain appeals for a great many years; he has had lots of experience, and before becoming a member of the board of grain appeals he was a farmer buyer in Minnesota, Mr. H. B. Evenson.

Mr. EVENSON. Speaking in public is out of my line entirely.

Mr. SULLIVAN. I wish you would take the tentative schedule of grades we have here and explain the program that we have in detail.

Mr. EVENSON. We want the subclass, red spring, eliminated.

The SECRETARY. You mean the three subclasses?

Mr. EVENSON. No; just the subclass red spring. Our reasons for asking that is that a small percentage fall in that class. It is of no particular use; is very rarely used. We ask for the abolition of grade No. 5 in all classes for the same reason. One, two, three, four, and sample grade takes care of it. It took care of it in the old days of Minnesota inspection, and we find very little use for it. Now, the moisture content in wheat. Our first experience with that was, that is to know the definite moisture, was back in 1906. We had no machines for ascertaining the moisture. We felt of the wheat and graded it by that. At that time the Government put in an office there. I see Mr. Boerner here; he was in charge of that office, and he came in and asked for samples that he might look over and see our work. We told him to take any of them. He took these samples, we were grading under Minnesota grades, and he gave us his findings. I just had occasion to look them up the other day, and I find that the grain that we were grading at that time, No. 1, 2, 3, etc., in our grades the averages of that was 14.8. That was in September, 1907. That was our first experience with it. Then, we later established 15 as a maximum for all grades of Nos. 1, 2, 3, and 4. After run over 15 we would call it No. 1 excess moisture, and put the moisture right on the certificate—15 per cent. I have also found that our moisture varies. At the present time the Federal grades for No. 3 permit 15 per cent. The average wheat in 1919 of all wheat that came in our office, something like about 12,000 cars, was 13.8. That was for the No. 3. While it permitted 15, the average was 13.8. Now, if No. 3 wheat will keep, No. 1 will certainly keep.

The SECRETARY. In the normal year the moisture content is not a very important matter as far as grade is concerned, is it?

Mr. EVENSON. No; not at all. Now, this year it is practically no factor at all. The average moisture, I did not take it for the year, but I took it for a month, of our three is 10.8. While 15 is permissible it is 10.8. I was also a member of this committee that Mr. Jacobson spoke of at Duluth, and Mr. Bailey, at that time, to use his words, said that he found "nothing containing 15 which spoiled." But that when you struck 15 you struck the danger line. He would recommend 14½ to be absolutely safe. Now, we think if 15 is made the dividing line the country buyer can handle that, and it would be much more satisfactory.

Mr. SULLIVAN. As a matter of fact, the higher grade wheat will hold moisture better than the lower grade wheat without possibility of damage?

Mr. EVENSON. Always we have had this condition. Men have come into our office from the extreme northern part of Minnesota. The Farmers' Elevator telegraphed down to hold a certain car of wheat on account of moisture. We had graded that car 3, and he said: "How in the world can you grade that 3 when we had no rain in that country for 30 days and the wheat has been threshed for two weeks?" The wheat tested 62 pounds and it was a very well-developed, fine quality of wheat. He was dissatisfied, of course.

The SECRETARY. Why did it take No. 3?

Mr. EVENSON. On account of the moisture content at 14.8.

Mr. SULLIVAN. As a matter of fact, in your judgment, did that much moisture really affect the value of the wheat in any degree whatever?

Mr. EVENSON. No.

The SECRETARY. Does moisture affect the value of the wheat?

Mr. EVENSON. Excess moisture.

The SECRETARY. What would you call excess?

Mr. EVENSON. Over 15.

The SECRETARY. Up to 15 do you think it makes any difference?

Mr. EVENSON. No.

The SECRETARY. How long after it passes 15?

Mr. EVENSON. Well, we think 15 is the line to cut it off.

The SECRETARY. How about 15½, would that make any difference?

Mr. EVENSON. Well, as we say, we wanted to make it safe for warehousing, and we thought 15 was the danger line.

Mr. SULLIVAN. Anything above 15.

Mr. EVENSON. Anything above 15. We don't want to put it anything above 15 where it would not be safe for warehousing?

The SECRETARY. How do you arrive at the opinion that any wheat containing any more than 15 was safe and any above that was not safe?

Mr. EVENSON. Because of these tests that were made in the elevator.

Mr. SULLIVAN. How large a test was that? Describe it.

Mr. EVENSON. I do not know just how many carloads it was.

The SECRETARY. Some one said it was 1,200.

Mr. JACOBSON. It was thousands of bushels.

Mr. EVENSON. All the elevators there are equipped with a thermometer that tells them just when the car is going out of condition. We do not claim that all wheat containing 15 per cent will keep. We have had wheat coming into Minneapolis containing 13½ per cent moisture that was hot, but it has to be taken care of.

The SECRETARY. Do you think moisture content should enter into the matter of grades at all?

Mr. EVENSON. If you make grades of any kind that has to be taken into consideration.

The SECRETARY. Why?

Mr. EVENSON. The farmer or the country elevator man has nothing to guide him at all. I bought grain in a country elevator for 19 or 20 years. I never had any grain spoil on my hands, although I did not have anything to guide me only my judgment and feel.

Mr. GOETZMANN. Do you think that a wheat containing 15 per cent of moisture, whether Nos. 1 or 3, or whatever it may be, is intrinsically worth as much money for the grinding into flour as a wheat that contains 13 per cent?

Mr. EVENSON. It would depend, first, where the moisture is on that kernel of wheat. If it was on the outside I think wheat containing 15 per cent of moisture is in absolutely prime condition to mill.

Mr. GOETZMANN. You know by the Duval test that 15 per cent of moisture means that 15 per cent of moisture is in that kernel of wheat regardless of where it is. You say you don't think it would make any difference in the value. Do you know the rules of this Agricultural Department in respect to the moisture content of flour?

Mr. EVENSON. I believe it is 13½. I believe that wheat containing 15 per cent of moisture you would get flour containing 13½ per cent.

Mr. GOETZMANN. You never ran a flour mill; I did for many years.

Mr. JACOBSON. How much moisture do you put in grain when you grind your wheat into flour?

Mr. GOETZMANN. The moisture never runs over 14 per cent if we can avoid it, and that is only put on for a length of time which will enable us to toughen the outer fiber or bran of the wheat.

Mr. JACOBSON. The fact is that the millers have told me in Fergus Falls that they never grind wheat except they put enough moisture in it to make it from 15 to 16 per cent, and that is for export. Now, the city of Fergus Falls has three flour mills; and also some of the millers in Minneapolis have told me the same thing that you dampen the wheat every time you grind it.

Mr. GOETZMANN. Most assuredly so—for a purpose.

Mr. SULLIVAN. Now, your tentative program is to allow all wheat, to make no difference in grade unless the moisture is over 15 per cent?

Mr. EVENSON. Fifteen per cent. The country buyer of wheat would have no trouble with it, and he could easily overcome it. In Minneapolis we have all this machinery, and we can easily ascertain it, so it makes no difference to us.

Mr. SULLIVAN. What is the practical effect of the present requirements of the Federal grades as to moisture, so far as the farmer is concerned, in getting the grade for his wheat at the country elevator? How does it work?

Mr. EVENSON. Well, I might say that the records in our office for a year show that there is 3 per cent of the cars that come before us that have been inspected by one inspector, have been reinspected by the chief deputy, and we have looked them over and we did not realize that they contained over 15 per cent moisture and would have graded thus without taking the moisture into consideration had we not put them on the machine and found that they contained over 15 per cent moisture.

Mr. SULLIVAN. That does not answer my question. When a farmer brings a load of wheat into a country elevator what is the effect of the Federal requirement on low moisture content that you complain of?

Mr. EVENSON. To play safe. He buys it so he knows he is well within the moisture content.

Mr. SULLIVAN. That means that it would otherwise be No. 1 and if he is a little bit in doubt whether it contains 15 or over he puts it into No. 2. That is the practical effect of it. That is a fact that is well known to the farmer, isn't it? And he complains about it.

Mr. EVENSON. Very much so.

Mr. SULLIVAN. There is no test made at the country elevator, and when it gets to the terminal elevator and there is a moisture test put on it with scientific methods, it may be well within the grade of No. 1.

Mr. EVENSON. Yes; in other ways.

Mr. SULLIVAN. He may be well within the grades as to moisture, and that farmer gets the worst of it simply because the country elevator man did not want to take the chance; isn't that the fact?

Mr. EVENSON. That is the fact.

Mr. SULLIVAN. Have you anything further to say?

Mr. EVENSON. No.

Mr. SULLIVAN. I would like to ask you about the dockage, about the foreign material except rye. That is one of the propositions contained in the tentative grades.

Mr. EVENSON. Well, our reason for asking for this 2 per cent of rye in No. 1 and 3 in No. 2, etc., is because we find a great deal of our very finest wheat has been grown on a field that the year before had been rye put in to clean the land. Farmers use rye to clean the land and they would have a little volunteer rye in it, and where this grain is a very superior quality in every other way except this small percentage of rye. We thought that 2 per cent would not be discernible. We have not been able to find any effect.

The SECRETARY. What are the relative prices of rye and wheat under normal conditions, normal years?

Mr. EVENSON. Rye usually is somewhat less. I am not so familiar with the prices.

Mr. McMILLAN. From 50 cents to \$1 less.

Mr. STEENERSON. That was when wheat was \$3 a bushel.

The SECRETARY. What is your relative difference?

Mr. GOETZMANN. There is no relationship, Mr. Secretary; it is dependent upon supply and demand.

Mr. McMILLAN. Usually it is about two-thirds of the price of wheat.

The SECRETARY. Assuming that under normal conditions there is a substantial difference between rye and wheat, and wheat is normally substantially higher, any increase in percentage of rye which might be allowed would be a temptation to adulterate the wheat.

Mr. EVENSON. That is true. In your No. 3 grade you permit 3 per cent of rye; that is one of the things we are up against.

Mr. SULLIVAN. Well, is it practicable to adulterate wheat with rye in the percentages that might be allowed under our tentative proposal here and make any money?

Mr. EVENSON. I would not think so.

Mr. SULLIVAN. Well, you propose to change this. Grade No. 1 Federal requirement is that it contain not more than 1 per cent rye, and you propose to change that to 2 per cent. Now, could anybody mix an additional 1 per cent of rye and make anything?

Mr. EVENSON. I would not think so.

Mr. SULLIVAN. Wouldn't they have to mix it in the even proportion of 1 per cent and wouldn't that cost him more than it was worth? Isn't the same thing true of grade No. 2; he could not add 1 per cent to that and make anything on it? The operation of doing it would cost more than that.

Mr. EVENSON. I think so.

Mr. SULLIVAN. And isn't the same thing true of these grades?

Mr. EVENSON. Yes.

The SECRETARY. You think the trouble would be so great that there would not be any temptation?

Mr. EVENSON. Yes, an addition of 1 per cent.

Mr. SULLIVAN. The change of No. 1, for instance, is from 1 to 2 per cent. Now, as I understand it, laboratory tests have been made on No. 1 wheat with 1 or 2 per cent of rye, and what is the result?

Mr. EVENSON. We could not find any difference.

The SECRETARY. Where were these laboratory tests made?

Mr. EVENSON. In Minnesota, in the State inspection department.

The SECRETARY. Have there been any other tests made there at the college?

Mr. JACOBSON. Yes, several of them.

Mr. SULLIVAN. As a matter of fact, isn't this rye allowance identical to that first put out by the Bureau of Markets?

Mr. EVENSON. We are not asking for as much.

Mr. SULLIVAN. Now, I would like to take up the question that we ask that durum wheat and winter wheat be allowed to be mixed in the grades on the same basis; that is, the same percentage that is now allowed; that we ask that the durum and winter wheat should be placed on a par so far as they are being mixed in with these various grades. What is the reason for that?

Mr. EVENSON. We do not raise any club wheat, common white and white club.

Mr. SULLIVAN. I am talking about durum and winter.

Mr. EVENSON. Just a minute; but we do have a mixture of durum. Durum is raised there. It permits common white and white club to be mixed, but it don't permit durum. It permits winter wheat. We are not troubled with the winter wheat, but we are troubled with the durum as it comes from the country. In other words, the terminal elevator can buy winter wheat and put in 5 per cent in No. 1. The producer, if he raises 5 per cent of durum wheat, which is better than the winter wheat, he is penalized for it.

Mr. SULLIVAN. The real reason for asking it is because durum wheat is more valuable than winter wheat.

Mr. EVENSON. That is it.

Mr. McMILLAN. In other words, you are asking that the terminal elevator be granted the same privilege of mixing this durum as winter wheat.

Mr. SULLIVAN. We are not asking for any terminal elevator to be allowed to do anything.

Mr. EVENSON. The Federal people are making the rules.

Mr. McMILLAN. But you want the terminal elevator to be allowed the same privilege.

Mr. EVENSON. No; I want the farmer, if he raises it that way, that he is not responsible for this volunteer stuff, and I want him on the same basis as the terminal elevator.

Mr. McMILLAN. Will you show from your suggested plan that you will prevent the terminal elevator from doing it?

Mr. JACOBSON. The terminal elevator will take care of themselves, just as you do, when you find one kernel more you will come to the appeal board.

The SECRETARY. We will submit, Mr. Jacobson, if you allow a certain percentage of winter wheat or durum wheat in one of your grades, then that very allowance permits anyone to mix it.

Mr. JACOBSON. That is the reason we ask that it have at least this allowance.

The SECRETARY. But you must remember this, that having established a grade which permits a certain percentage, then you have opened the doors.

Mr. SANDERSON. This proposal does not increase the total amount.

Mr. SULLIVAN. It only places durum wheat on the same basis that is now given to winter wheat, and we claim that durum wheat is as valuable as winter wheat.

Mr. POTTER. As has been said, our people up in that country are not troubled with the winter wheat, but we are troubled with the durum wheat and we can not help ourselves.

Mr. SULLIVAN. What about the wheat of other classes?

Mr. EVENSON. I have covered that. We do not ask any change in that.

Mr. SULLIVAN. Now, about the total of wheat of other classes as compared with the present totals?

Mr. EVENSON. We are asking a change in that. I do not think you will object to this. At the present time the Federal rules provide for a total of 5 per cent in No. 1 and 10 per cent in all the others. Now, we propose 5 per cent in No. 1, 6 in No. 2 and 8 in No. 3 and 10 in No. 4. I do not think there will be any objection to that. Ten per cent of firm wheat can be mixed in No. 2 and No. 3. We want that reduced to 6 and 8 per cent.

Now, the reason for asking this word "bright" be changed is that the buyer in the country takes advantage of that. Even though the wheat there is good, it is thrashed in the shock and sometimes it becomes wet and becomes bleached. It does not hurt the milling qualities at all, but the buyer takes advantage of that, and we have had requests from the producer that we eliminate that and call it good color instead of bright.

Mr. JACOBSON. The miller immediately appeals for a lower grade, doesn't he?

Mr. EVENSON. Oh, yes.

The SECRETARY. How would you define good color?

Mr. EVENSON. Well, it is not bleached to an extent that it is damaged in any way. If it is stained that shows that it is off color. A great deal of our shock-thrashed wheat comes in somewhat bleached.

The SECRETARY. You say "good color;" you want to eliminate the word "bright" and say of good color. Just what is good color?

Mr. EVENSON. Well, as I say, it can be bleached to an extent that it is damaged, and when it is we call that off color. Very often we find it stained.

The SECRETARY. These are negative descriptions you are giving; can you give me an affirmative description of good color?

Mr. EVENSON. I do not think that I can.

The SECRETARY. You are telling me what it is not, but you are not telling me what it is.

Mr. YOUNG. It is a wheat that is free from these imperfections that he has mentioned.

The SECRETARY. I am still wondering whether if it would be free from this it would not be bright, whether that would not describe it.

Mr. SULLIVAN. Well, that would not make any difference whether the wheat is bright and shiny so long as it is good, sound wheat. We object to the term "bright" because it is so easy for the country buyer to put it down.

Mr. STEENERSON. You could say "good natural color."

Mr. SULLIVAN. We are not enamored with the words "good color," but we do object to the term "bright," because when the sheen is taken off it does not hurt the value, but the farmer takes a loss and may be the country elevator takes a loss.

Mr. STEENERSON. And then there is no sheen on natural wheat.

Mr. SULLIVAN. No; it is not polished at all; it ought not to be; it is a misleading term.

Mr. JACOBSON. And the millers always take that shine off before they grind it.

Mr. SULLIVAN. Now, what do you know about the question of the farmer realizing that when his wheat does not shine brightly enough to suit the local buyer, and he gets a lower grade, how does he feel about it?

Mr. EVENSON. That is what we are trying to overcome in these things.

Mr. SULLIVAN. He don't feel he has been favored.

Mr. EVENSON. He feels he has not had a fair deal.

Mr. SULLIVAN. Well, then how about your test weights. Will you state the reasons for asking the changes?

Mr. EVENSON. Well, that brings it to comply with the old Minnesota grades. Fifty-seven was all that we required for No. 1 northern in the old Minnesota grades, and we found that taking an average of years, we have not been troubled. The last three or four years we have had plenty of weight, but this year we have been under, but the preceding years there has been no trouble, but I have seen the year in Minneapolis when the test weight was the factor and you could not get enough wheat in the market to weigh 57 pounds. There would be very little of the avaerage that would weigh 57, and we had no trouble with it under the old Minnesota grades. It certainly gave perfect satisfaction, and I think the millers prosper under it and the farmer would be satisfied.

The SECRETARY. What difference would it make in the price if you should make this change; there would be a readjustment of prices according to the change in grades?

Mr. EVENSON. Yes, I am not so familiar with the prices; my business does not take me to that end of it at all.

Mr. JACOBSON. Isn't it a fact that a good deal of the hard wheat that comes into Minneapolis only weighs 55 and 56? Take, for instance, our marquis and blue-stem and other hard wheat that the millers do not pay much attention to if they only get the hard, glutinous wheat. If it is hard, glutinous wheat and no starch in it they pay a bigger price.

Mr. EVENSON. Certainly.

Mr. JACOBSON. So really the hard, glutinous wheat that comes from Minnesota and North and South Dakota, if it contains gluten, that is what the millers want, and that is also what the exporters want. Is not that a fact?

Mr. EVENSON. Yes.

Mr. SULLIVAN. Is it your idea that on account of the fact that a spring wheat is really lighter than winter wheat, but contains more gluten and is worth more for milling purposes, that there ought to be a wider spread between winter wheat and spring wheat in the test weight, so as to make the two wheats conform more nearly in value in the test weight?

Mr. EVENSON. Yes, we have also found that there have been some years when certain sections, for instance, South Dakota, would produce crop of wheat that had an excellent milling value, a very bright wheat, but would bring a premium, and in years gone by we provided that that wheat would be admitted to the grades even at 1 pound less test weight than our test weight would permit. It would be admitted to the grade when it was 1 pound less than the required test weight, and it worked very well.

Mr. JACOBSON. Isn't it also a fact in all the experience that you have had that some of the 55, 56, and 57 pound wheat has a better milling value than even some of the wheat that is grown in the Northwest that weighs 58 and 59, on account of the gluten.

Mr. EVENSON. I think there are some of the men here with a much better idea of that than I have to answer that question.

STATEMENT SUBMITTED BY W. C. PALMER, STATE INSPECTOR, NORTH DAKOTA.

Receipts of H. R. S. wheat at North Dakota elevators.

[Figures furnished by elevator accounting department, North Dakota State Grain Inspection Department.]

July 1, 1918, to June 30, 1919:	Bushels.
D. N. S.....	40,857,813
N. S.....	25,544,066
R. S. (made up 7 per cent of H. R. S.).....	476,044
July 1, 1919, to June 30, 1920:	
D. N. S.....	20,837,806
N. S.....	11,054,378
R. S. (made up 7 per cent of H. R. S.).....	229,114

Total receipts of H. R. S. at public elevators in Minneapolis.

[Figures furnished by Minnesota State Grain Inspection Department.]

Sept. 1, 1918, to Aug. 31, 1919:	Bushels.
D. N. S.....	62,690,430
N. S.....	6,511,648
R. S. (made up 1.36 or 1.4 per cent of all H. R. S.).....	959,588
Sept. 1, 1919, to Aug. 31, 1920:	
D. N. S.....	4,352,145
N. S.....	10,744,076
R. S. (made up 0.29 or 0.3 per cent of the H. R. S.).....	45,260

Mr. SULLIVAN. Is there anything else, Mr. Evenson, that you can say to these grades?

Mr. EVENSON. I think I have covered the ground here. As I said before, I am not opposed to Federal grades. We can work under Federal grades. We are not opposed to Federal grades.

The SECRETARY. You think there is an advantage in having Federal grades?

Mr. EVENSON. Yes; we would like to see them modified so we can use them, so the farmer can use them, the country buyer and the country elevator man.

Mr. W. C. PALMER. These things have all been gone over, but there is one thing. This is the elevator manager's problem: How are we going to handle all those new grades. And then, the farmer knows that he is not getting a square deal, and Mr. McGovern gave us a fine illustration of how the farmer gets the worst of it by having these inseparable materials. Well, now, then, knowing that we have not got the facilities at our primary market for handling the wheat according to this complicated standard I sent out a questionnaire to our elevators on the 15th of April and I never had anything come back so prompt as that questionnaire did. On that I suggested that there might be a possibility of getting a simplification of the Federal standards on wheat, and then I asked them to report back how many bins they had in their elevators, how many for wheat, how many for rye, how many for flax, how many for oats, how many for barley, and how many for screenings. I tabulated the replies that came back by the 20th of April and we had practically all of them in by that time. I might say this, I believe that we have about as large and as modern elevators in North Dakota as any State in the Union. In fact, I am inclined to think we have the largest. Now, the total average number of bins in these elevators was 12.7 and the average number that was used for wheat was 6½. Here we have grades that we could not begin to take care of them. Now, you see the old Minnesota standards grew up out of the practices that we had at that time, and the old Minnesota standards grades could be stored in the bins that we had for wheat. In fact, the standards were an outgrowth of the condition that we had in our primary market. The average number of bins used for rye was 1.4; flax, 1½; oats, 1.4; barley, 1.5; screenings, 1.

Mr. SULLIVAN. How many elevators?

Mr. PALMER. Eighteen hundred, and we have replies from 1,238. We have replies from more than two-thirds of them.

Mr. SULLIVAN. Did you ask them if they were in favor of simplifying these grades?

Mr. PALMER. I did not ask them that question, but quite a number of them did make remarks that they were glad there might be some prospect. For instance:

"And we can only add that from the country elevator man's standpoint that the Federal grades are on altogether too technical a basis, and I believe a better basis would be something like the old Minnesota standard. Instead of knocking the grade

down for the foreign material, we believe it should be docked and the wheat given the grade it is, not considering one or two peas in a good sample of hard wheat."

Quite a number of them came in along that line. I did not ask for it.

The SECRETARY. On this matter of dockage, Doctor, is it practicable to separate these various weed seeds, for which we make reduction in grade? In other words, where the foreign material can be separated, then it would be practicable to dock for it.

Mr. PALMER. Yes.

The SECRETARY. But are those separable,—cockle and kinghead.

Mr. PALMER. All except the rye.

The SECRETARY. So that those could all be included in the dockage except rye.

Mr. JACOBSON. The Secretary mentioned kingheads.

Mr. PALMER. Yes; they can be separated.

Mr. McMILLAN. What is the name of the machine that can separate kingheads? We have been trying to find one.

Mr. JACOBSON. Kingheads we consider not separable except broken. The only way you can separate kingheads is by floating them. I agree with the millers on that.

Mr. PALMER. Rye is one of the things that can not be taken out.

The SECRETARY. Should there be a difference in grade because of the presence of rye?

Mr. PALMER. Yes; I think there should be a difference in the amount of rye if it gets too great.

The SECRETARY. What would you say?

Mr. PALMER. I think what we have in our proposed standard here is safe because I understand these amounts do not affect the flour.

The SECRETARY. Would 5 per cent affect the flour?

Mr. PALMER. Five per cent might be getting down to where it would affect the flour.

The SECRETARY. Have you made any tests?

Mr. PALMER. Mr. Sanderson can give you that information as to the rye.

Mr. SULLIVAN. What about the moisture?

Mr. PALMER. Well, now, this is what happens: A sample comes in and the elevator man looks at it and he can tell whether it is safe or not and he knows he has these Federal grades, and he is in doubt, and he has to play safe.

The SECRETARY. In a normal year how much of your wheat would be above 14 per cent moisture?

Mr. PALMER. I could not say as to that.

The SECRETARY. Do you think we should have Federal grades?

Mr. PALMER. Yes; I prefer Federal grades provided they are made workable.

The SECRETARY. Do you think in making grades we should, so far as possible, make them on the basis of percentages and weights and measures rather than on matters that would depend upon the judgment of the individual inspector?

Mr. PALMER. Well, if we are going to have Federal grades I am afraid we will have to have some rather definite things to base them on, but those definite things ought to be simplified so that they mean something. Now, for instance, take this inseparable material and a lot of stuff like that. We have definite tests, but they don't mean anything. That is, they mean something, but they work hardship.

The SECRETARY. Have you any opinion as to the moisture content?

Mr. PALMER. I really think that 15 per cent is good, and then above 15 let that be a part of the grade designation, and not let it reduce the grade; then whoever buys that wheat, if he buys No. 1 wheat with 15½ per cent moisture, he knows what he is getting. At the present time, if we are buying on grade, the man won't know whether it is down on test weight or inseparable material, or whether it is down on moisture, or what it is down on. There are so many things that can bring it down, and the result of that is that a man can buy, especially at the terminal, one car load low on test weight but high on moisture. Another here has inseparable material that brought it down, and you may be able to take five cars of No. 5 and make five car loads of No. 1.

The SECRETARY. Would that same thing be true of the grades in use before the Federal grades?

Mr. PALMER. No; and it is not true on our proposed grades. But one thing, there would be a little mixing on the rye, but that is so small that it would not be worth while. It could be done, however.

Mr. SULLIVAN. What about that term "bright color"?

Mr. PALMER. Well, there is another one where our elevator manager has to play safe on. You must understand a great many of these managers of elevators are out here working for some company and maybe have not had so much experience, and here is a very complicated set of rules, and they have to play safe. In fact, I think they get these orders from headquarters: "If in doubt, play safe."

The SECRETARY. What word would you substitute in place of "bright"?

Mr. PALMER. I think "good color."

The SECRETARY. What do you mean by good color?

Mr. PALMER. Well, we have been thrashing that out, and we have found it is hard to define.

Mr. SULLIVAN. What about the test weight?

Mr. PALMER. Well, I do not know as I have so much to say about that. Of course, if the test weights are lowered, it will bring more of the wheat into the No. 1.

The SECRETARY. Now, if you do that, will there be a readjustment of prices accordingly?

Mr. PALMER. There certainly will be some readjustment of prices; there would not be any question about that.

The SECRETARY. Would the farmer be the gainer or the loser in the long run by it?

Mr. PALMER. I think the farmer would be the gainer. Here is one thing: We have all kinds of milling tests in North Dakota, and according to them there should not be half the spread there is in the higher and lower grades. Here was a difference between sample grade and No. 1 of 52 cents. Of course, now, this is an illustration of what we might have. Now, it would be hard to find two samples of wheat in which you would get that difference in milling value at the present time. Even in 1916, when we had that feed wheat and where the trade made as much as a dollar a bushel, our milling test showed there should not have been more than 30 cents difference between high and low.

Mr. SULLIVAN. In this sample before you all there is to make one equal to the other is to remove the removable material.

Mr. PALMER. Yes; but there is a little more difference; some have a little more kinghead, and that ought to be taken into consideration or dock it and then they are equal.

Mr. SULLIVAN. What do you say as to the respective values of durum and winter wheat?

Mr. PALMER. Well, I do not know as I have studied that question so much because we are clear up out of the winter wheat territory and we do not get that.

Mr. SULLIVAN. But you do get durum?

Mr. PALMER. Yes; and it would help out if that was taken care of in that way. I might say, too, that the Federal standards provide for 25 grades of oats and we have to handle those as you notice in one and one-third bins, and if you get more standards I do not know what we would do, for we might get Federal standards on flax and barley and rye and we would be worse and worse off all the time.

Mr. SULLIVAN. It is all right in theory, but in practice you have not bins enough?

Mr. PALMER. No.

Mr. McMILLAN. How many grades under the old Minnesota?

Mr. PALMER. Six or seven.

Mr. McMILLAN. How many now?

Mr. PALMER. We have 96 grades.

Mr. McMILLAN. On the spring wheat?

Mr. PALMER. Well, there is 18, and mixed 24, and then if it is smutty it doubles and makes 48.

Mr. McMILLAN. On spring wheat?

Mr. PALMER. On spring wheat. There are 3 subclasses and 6 grades in each, making 18, and then mixed and that gives you another 6, making 24, and then if you have smut in it it makes 48 on our hard red spring wheat.

Mr. JACOBSON. Don't you know that, Mac?

Mr. J. J. MURPHY. Mr. Secretary and gentlemen, I do not know that I can add anything of particular value to what has been said here. I would like to state, however, that the situation in South Dakota as far as the dissatisfaction on the part of the farmers with the Federal grades, as has been well described in statements made by others here, would apply to the situation in Minnesota and North Dakota. Our farmers are dissatisfied, and I want to say to you, Mr. Secretary, that they do not only think they have got a reason, but they believe they know they have a reason. I would like to have you make a distinction between the application of grades at the country market and the application of them at the terminal market. I do not mean by that that there should be a difference in the standard at the two places. However, it is a fact that under the Federal grades as established and in operation, being technical, wide spreads being occasioned by a small element or factor, that your country buyer in order to play safe is in practically all cases where that situation arises giving the producer of the grain the worst of it, and in my judgment the wise thing to do, the economic thing to do, if you will, is to try and arrange the grades on spring wheat in such a manner that the producer or the man that raises that wheat will be able to

protect himself and get as nearly as may be to the milling value of the wheat, less the charges.

The SECRETARY. Do you think there should be Federal grades?

Mr. MURPHY. Sir?

The SECRETARY. Do you think there should be Federal grades?

Mr. MURPHY. We are necessarily a heavy wheat-producing country as a whole. As I see it, the grain that is raised in the Northwest goes to help feed the people of the world, if you will; certainly the people of the different States. I see no objection to a Federal system of grading properly applied. However, in the application of a system, in fact, in the establishment of a system, I would not favor the making of such definite rigorous rules that good judgment can not be exercised in their application.

The SECRETARY. Now, in determining those grades do you think we should do it in definite ways by percentages or weights or measures as far as possible?

Mr. MURPHY. Yes; I rather think you will find that you will have to have the measure stated in that manner, but I can not see any reason why the department can not permit this inspector, its boards of appeal, if you will, the possibility of exercising a little judgment in the matter. I would state it in this way, that if under that system you found an inspector that was not doing his duty it would not take much time to remove him. But I suppose I am safe in stating that we do have a tremendous time, if you will, to get the grades changed, and if we had a little latitude, a little judgment could be used by your inspectors who I believe to be honest men, and as some of them we know have been testing grain for 20 years, possibly longer, and in the grain business 20 years before that, their judgment must be of some value. I have seen quite an attempt made here to-day to define what is good color. Now, isn't it a fact that a man that has raised wheat, a man that has bought wheat for years knows what the natural color of wheat is, and of the different varieties? Should not his judgment as to what is good color be accepted as worth anything? In my judgment it should. Now, on that bright color, Mr. Secretary, it is bright. There are a great many samples of splendid wheat, prime wheat, there might be a division of opinion as to whether it is bright or not. I wonder if it would not be nearly as hard, quite as hard, to define bright color as it would good color. I wonder about that.

The SECRETARY. In speaking of wheat, you pick up a sample and look at it, and what word do you naturally use?

Mr. MURPHY. I would say that was a good color.

The SECRETARY. Is that what it is customary to say?

Mr. MURPHY. That is what I used to say when I was buying wheat. Good weight, perhaps clean, or whatever designation is used, but if I remember rightly I do not remember of using the expression that it is bright. It is good color; it is even color, if you will; it is not stained.

Mr. SULLIVAN. Natural color?

Mr. MURPHY. Natural, if you will; that is, close to it. I think in South Dakota they are particularly interested in three modifications. First, regarding the test weight, and if I am not mistaken that is particularly applicable to the wheat grown in South Dakota. I believe that South Dakota raises a fine quality of gluten wheat. In fact, I would almost defy contradiction of that statement, and I want to explain this that in that connection that that wheat which predominates in gluten is proportionately light in weight. It does not make any difference how desirable that wheat is, or what the demand is for it, but it has its milling value and it will show light. Now, that being true we are interested in having a standard established that will permit a large part of that wheat in.

The SECRETARY. How large a percentage would that gluten wheat be?

Mr. MURPHY. Well, we will find in an average year that a great deal of our wheat would go No. 2 on a 57 basis for No. 1 and the 55 basis for No. 2. And now here is the psychology of the thing at home. This farmer knows he has good wheat; there is not a miller that will tell him it is not good wheat, and he may pay him a premium for it, but he grades it away down. The farmer is sore and he can not understand it. He has as good wheat as anybody else has in that community, but he is penalized, he thinks he is; he is graded down, and you will have a better frame of mind with less restrictions on those grades even though the price is somewhat less. Another thing that we are vastly interested in, and I believe it is one of the most important things to be considered here to-day, is the relation of cereal grain other than rye as dockage.

The SECRETARY. Do you think that everything that is separable should be dockage?

Mr. MURPHY. Absolutely; I think the wheat should be tested on its merits.

The SECRETARY. If you widen out the grades, will there be a readjustment of prices to take up that difference with which you have made by widening the grades?

Mr. MURPHY. There may be some difference in prices.

The SECRETARY. You think it would be a distinct advantage to the country elevator to have the number of grades reduced, as I understand?

Mr. MURPHY. Very much.

The SECRETARY. Is that advantage large enough to make up for any difference there might be in the readjustment of prices?

Mr. MURPHY. Now, I am not so much concerned about the country elevators as I am about the farmer.

The SECRETARY. I am talking about the practical way of handling it.

Mr. MURPHY. But the hardship is on the farmer, because the country elevator is the first man that is able to somewhat protect himself, and I make that statement without any idea of issuing any propaganda here. I would like to have this matter considered on its merits, and the farmer, the man that raises the wheat, being considered as encouraged in an honorable occupation and entitled to a square deal.

The SECRETARY. How many of your country elevators are farmers' elevators?

Mr. MURPHY. Probably close to one-half. We have about 1,400 elevators in the State, and I believe that the number of farmers' elevators at one time will exceed 700.

The SECRETARY. Are the farmers' elevators any better equipped to handle a number of grades than the line elevators or the privately owned elevators?

Mr. MURPHY. Absolutely no; it is quite true that in a good many points in South Dakota our farmers' elevators have more capacity, but the management of bins is practically identical. The reason they have more capacity is that they buy a larger amount of grain. Another matter we are very much interested in is the question of moisture content. Now, it is very well to say that an average year, a normal year, or a year in which we have an abnormally low moisture, it will not make any difference. That is true; but we have years, Mr. Secretary, when the moisture content makes a lot of difference to us. Now, all we would ask anybody to put into effect in that connection is a rule or regulation that will permit the grain to carry as much moisture as it can safely be warehoused; not beyond that.

The SECRETARY. What do you consider that to be?

Mr. MURPHY. From our best information we have in our State on the question, and what investigation we have been able to make, and taking advantage of the investigations made by others, we have come to the conclusion that 15 per cent is reasonable and will do injustice to nobody, but on account of the latitude that it will give the local buyer it will be a protection to the producer of the grain those years or in those sections where moisture is a factor. We make that statement qualifiedly, after consideration.

The SECRETARY. Several of you quoted Mr. Bailey; I am wondering whether some misunderstanding of what he said might exist. I have here in print the report made by him, in which he says:

"In general, the conclusion appears justified that normally plump, hard, spring wheat may heat if containing over 14.5 per cent of moisture, while if the grain be shriveled, badly frosted, very dirty, or has previously heated, it may go out of condition if it contains 14 per cent or over. These limits were accordingly recommended to the Board of Grain Appeals for incorporation in their rules, but that body saw fit to place the limit at 15 per cent."

Mr. MURPHY. Well, I can imagine conditions in which grain will do that very thing.

The SECRETARY. Well, he seems to think it is not safe to have more than 14½ per cent.

Mr. MURPHY. Well, I will say this, then, to you along that line, and my personal investigations, of course, are not as far-reaching as some made by the other gentlemen. I was in the grain business for a number of years. Now, a bin that held 5,000 or 6,000 bushels we never had any trouble with.

The SECRETARY. Without regard to moisture?

Mr. MURPHY. With 15 or less.

The SECRETARY. Did you test moisture content?

Mr. MURPHY. Oh, yes; we always made a test. We would simply take up samples and when we got time we would test it.

The SECRETARY. What about how would it run usually?

Mr. MURPHY. Well, it varies greatly in different years. I do not believe these experts, and I do not care whether they are engaged by the State or the Government, will get an average this year that will apply with any definiteness to any other year.

The SECRETARY. How many years out of 10 would it run as high as 15 per cent.

Mr. MURPHY. Well, on an average it might not run over 2 out of 10.

The SECRETARY. About 20 per cent of the time, then.

Mr. MURPHY. And that is just a guess. I would not want to make a definite conclusion.

Mr. SULLIVAN. You have examined this schedule of grades proposed here; do you agree with it?

Mr. MURPHY. Yes, sir; as to the modification and the elimination that are suggested in this proposed change in the Federal grades. It is my best judgment that if adopted a long step will have been taken in wiping out the dissatisfaction and the frame of mind that any class of people engaged in the production of flour is important, and I can not imagine that any class really is more important than the man that produces the raw material, and I know the frame of mind he is in and I believe, and I understand the necessity from a Governmental point of view of getting away from this condition of dissatisfaction that the whole country is suffering from. And while we are advocating these things there are many other changes that have been suggested, and perhaps that some demand, but we have concluded to ask no more than we have shown in this schedule. We can not understand why wheat with 5 per cent Durum in it should be penalized and the grower have it penalized over and above what would be the situation if somebody put 5 per cent of winter hard in that same wheat. Those are the things we want to get away from. Mr. Secretary, and we have not asked anything unreasonable or anything that will work a hardship on the miller or on the people that buy the bread. I do not believe we have. If 14½ can be shown to be the proper moisture content I believe we will all accept it with the very best grace, but there should be something in that connection any year and in any section where they are suffering from these conditions.

The SECRETARY. Eight years out of 10 the moisture content would cut no figure at all, if I understood you correctly.

Mr. MURPHY. Well, I would not want to say that definitely. I do not think it would be far wrong. However, there is one thing in connection with this, Mr. Secretary, the department itself fixes 15 as the percentage of moisture contained in No. 3 wheat, 16 in No. 4, but holds it down to 14 in No. 1. Now, I can not imagine any reason for limiting the moisture content except that wheat shall be penalized if it is not warehouseable and marketable, and if No. 4 wheat will carry 16 per cent moisture, why it is that you arbitrarily and without reason hold No. 1 to 14. As far as the farmer is concerned, as far as I am concerned, I can not see any reason for that 2 per cent difference there.

The SECRETARY. You think there should be a premium if it contains less than 14 per cent?

Mr. MURPHY. Now, we have not asked for a premium.

The SECRETARY. But I mean as a matter of justice.

Mr. MURPHY. Well perhaps there would be some demarcation there that could be worked out to the advantage of the producer, but the producer has not asked for a premium on account of the moisture content below what is safe. All he is asking you is to put a minimum on it at which he will get what is coming to him.

The SECRETARY. As a matter of practice, do the millers at any time pay a fancy price for wheat of low moisture just because of its low moisture?

Mr. MURPHY. They might if they had a bad bunch to mix it with, but I doubt very much whether the premium paid on wheat is very largely due to the lower moisture content. I would rather give credit to some of its other qualities than that of low moisture content.

Mr. JACOBSON. We brought that matter up when we were in New York before Mr. Barnes, but the majority ruled against it.

Mr. SULLIVAN. As a matter of fact, these moisture requirements work to the disadvantage of the farmer in selling his wheat.

Mr. MURPHY. Yes; it is just as I stated, Mr. Sullivan; it does not make any difference what that technicality is, just the minute that local buyer is in doubt he is going to take advantage of it no difference whether it is moisture or something else.

The SECRETARY. Now, take the two years out of 10 that we have, assume they might have a high moisture content in these years, the local buyer would play safe anyhow, wouldn't he, so that I am wondering whether we are stressing this moisture content more than we should?

Mr. MURPHY. When we talk about averages we speak about the State or the three States up there. Now, there are some sections within that district that will suffer this year when the majority of the district is all right. You don't always have the same degree of moisture in the different districts in the Northwest. In other words, as I view it, it is easy to generalize on these things, but I know in the State of 79,000 square miles we would have several kinds of weather within a month.

The SECRETARY. You think wheat which carries more than 15 per cent moisture is not as valuable as that, that carries less?

Mr. MURPHY. Just as the moisture or hazard appears to go beyond the danger point, necessarily the man will buy it for less money.

Mr. SULLIVAN. Doesn't it protect everybody if you put the moisture content on the grade?

Mr. MURPHY. Absolutely.

Mr. SULLIVAN. Without requiring a change of grade on account of moisture. What logic is there in changing a grade on moisture?

Mr. MURPHY. I do not think there is any.

Mr. STEENERSON. Can the moisture be changed by putting it over an elevator—giving it air?

Mr. MURPHY. Well, they have driers; often running it through a country elevator. Oh, yes; we often do that.

Mr. SULLIVAN. What does it cost.

Mr. JACOBSON. Two cents a bushel.

Mr. MURPHY. Well, now I have cleaned a good deal of grain, and I believe I can clean it for less than 2 cents in my own house. In our State we will take in grain, deliver it out either into the car or back into the wagon and clean it for 2 cents a bushel.

Mr. JACOBSON. I was talking about the terminal elevator. That wheat is a very fine wheat, but it contains more moisture than it ought to have, and it ought to be sent to a hospital and be dried, and that generally costs 2 cents a bushel.

Mr. SULLIVAN. Changing the grade would amount to more than 2 cents.

Mr. MURPHY. Oh, yes; it might be a lot more than that if there is enough moisture in it. The buyer, however, is protected if you put the amount of excess moisture on the certificate. He will pay the price according to the certificate.

Mr. JACOBSON. This matter was brought up by the Secretary, that it would increase the price of wheat by paying 2 cents a bushel for drying it. Now, we do not want to get away without giving just exactly the facts. It increases the price but it also shrinks.

Mr. MURPHY. However, if drying that wheat advances the wheat two grades, you could afford to pay the difference.

Mr. STEENERSON. If there was 1 per cent too much moisture in a car that means 10 bushels of water you take. If you take that out to reduce it to 15 or 14 per cent that 1 per cent excess moisture, you lost 10 bushels in weight in addition to the expense of drying.

Mr. SULLIVAN. But if you set it down a grade, how many would it be?

Mr. STEENERSON. From 4 to 7 or 8 cents.

The SECRETARY. You want to give notice that there is extra moisture there and let the buyer buy it.

Mr. JACOBSON. Mr. Bailey is one of the most honorable gentlemen that I know of; he has worked for me, and he was the gentleman who took the moisture up there, and he made this statement, when he had taken these tests, that it would be safe on 14 $\frac{1}{2}$.

The CHAIRMAN OF COMMITTEE OF BALTIMORE CHAMBER OF COMMERCE. Mr. Secretary, we are here primarily in regard to the matter of garlicky wheat. As you know the district of Maryland and parts of the South handle a great deal of garlicky wheat, and our garlicky wheat has been discounted anything from 10 to 22 cents a bushel. There has been a great deal of dissatisfaction on behalf of our farming community in regard to it. We think there should be some other designation besides that one of garlicky.

The SECRETARY. I am wondering whether we could not take that up at a different time. I will arrange for it.

Mr. GOETZMANN. I would like to have Mr. John Shanahan, of Buffalo, speak on this.

Mr. JACOBSON. Who does Mr. Shanahan represent at this time; he has represented almost everyone in the United States.

Mr. SHANAHAN. I do represent anybody in the United States who is interested in the grain industry.

Mr. JACOBSON. Are you interested in the Federal Government?

Mr. SHANAHAN. I represent specifically the New York State Millers' Association at this time. Further than that I represent about 35 years of close study of this subject and hard work to bring about Federal standard grades. Four of those years were spent here in the Department of Agriculture in charge of that department of the work, and I believe that I can say that the principles upon which these grades were built are mostly mine, and I have no apology whatever to make for those grades. It has been said here that the grades were made for the miller, especially in wheat. It might be said also that before wheat was taken up that we made grades on corn. I started in the grain industry as a helper on the tracks, as a grain inspector; rose to be

the chief inspector at Buffalo; I became interested in better inspection. It does not mean necessarily in favor of the millers, but in favor of the whole industry. Mr. Wilson, your predecessor, sir, became interested in some of my ideas and invited me down here to work them up. I have always had an interest in the work, and whether my farmer friends over here, who are not farmers to my knowledge, will believe me or not, it has always been my ideal to have grades that would represent values and give a grain inspector something upon which he could base his judgment, that the scales of justice might be held level.

I feel keenly the need of such backing in my former position. I found from my study of the subject, and that has not been local or regional, but it has been a world study, a study of world conditions, that the grades as they then existed in the books meant nothing in their application that was worth anything, but that was also true in your Minnesota grades. And I became very much ashamed before I got through with the inspection department of being a grain inspector, just for that reason, because these grades were so indefinite and the measurements were so hazy that the benefit was going to the mixer and to the elevator man, and not only to him, but to the strong men in the market. The strong men in the grain-inspection centers control the inspection. I had it at Buffalo from every point of the compass from the West, and I knew what it was and was ashamed of it. Therefore I started in to see if something could not be done to make these grades more representative of value—a yardstick to measure by. It goes without saying that I have made no friends in that work excepting the men who understand, and they are very few. I certainly have not made any friends among my northwestern associates, nor have I made any friends of the farmers, nor have I made any friends in the grain trade. Nevertheless, as I said, I have no apologies to make. I believe that the more grades you have the closer you can get to actual values. It is true of wheat and of every other grain. I was aware during this work that there was a problem of the farmers elevator, and it seems to me that from what my friends tell me of the conditions at the country elevator that they are risking a lot in not having better trained men, men who know values, who can make an average of his daily purchases and get for the farmer and pay him what he is entitled to, and get the grade on the average in the terminal market.

Mr. YOUNG. When you say you want a better-trained man at the elevator you realize if he knows how to buy it after he buys it what will he do with it. There is a penalty for mixing.

Mr. SHANAHAN. No.

Mr. YOUNG. There certainly is and you are bound to get it mixed if you get it in.

Mr. SHANAHAN. I think that is a catch question and it is not fair. You know better. Now, there seems to be some little indication of animosity here shown to the miller. Why? I do not understand it. I have never yet found a big miller, a miller who buys very much wheat that is not willing to pay what the wheat is worth on the market. As a matter of fact, he does pay premiums for good wheat. I am now in the employ of a milling company; have been for two years, since I left the Grain Corporation, who is paying me quite a good salary to buy the best wheat to make a flour that is beyond question as good as any in the country. Now, I can say this, and I believe it, that if the Minnesota grades are put back as they were, that I can make more money for my milling company than I can under the Federal grades, and who gets the benefit. We get the benefit, not the producer of the wheat. Now, I have watched that and studied that question from all its phases, and I am satisfied, while I am not satisfied that the Federal grades are perfect, I think the principles upon which they are based are right.

As I said before, your people do not agree with me, but the people in the department have, because after I left they builded on these principles. I do not say they are perfect, but I feel, and I feel it strongly that to go back to the old Minnesota grades would be a step backward in the dark as far as grain inspection is concerned. I want to say further that if that step is taken I want to see the Federal Government get out of grain inspection altogether. They either want to build and build right, or they want to stop the inspection altogether and let somebody take the onus of monopoly and fraud because it is sure to come. Right now the grades that are coming out of Minnesota, for instance, right now are very, very unsatisfactory. I think they made a blunder when they changed the No. 3 grades some time ago to let 10 per cent of mixture of other wheats. There are some of the factors that I do not agree with in the grades. I think they should be modified, but so far as they go I think they are just and if they can be reflected back to the farmer that is the question which will benefit him rather than do him any injury.

The SECRETARY. What have you to say on this matter of dockage or foreign substances that effect the grade?

Mr. SHANAHAN. Mr. Secretary, it has always been my idea that all foreign substances that are separable, and by that I mean that can be taken out by the ordinary milling machinery, should be dockage. For illustration, these peas, I would say that these peas are separable only in a very few instances in the country. They are not separable in the ordinary mill nor in the ordinary elevator. My understanding is that they can be separated on what they call spiral machines.

Mr. GOETZMANN. But they do not succeed.

Mr. SHANAHAN. But I agree with my friends when they say there are peas shipped out of Minneapolis, but the ordinary mill can not separate them and they do do a distinct injury to the flour when they have to grind them. But that is a question which seems to me to be brought here in a very technical shape. I do not believe that there are very few cars that will represent actual exceptions, and as far as the discounts I would say it would be plain robbery for anybody to propose to buy that wheat on the discount that this gentleman has suggested.

Mr. SULLIVAN. That change would be required by the Federal grades, wouldn't it?

Mr. SHANAHAN. Exactly so, but the man ought to pay pretty near what it is worth, and the miller will if he has an opportunity.

Mr. SULLIVAN. But what about the country buyer?

Mr. SHANAHAN. I say there is a question that has not been solved, and it must be solved before the farmer can get the benefit of these grades.

Mr. SULLIVAN. That is it and we get crucified in the meantime.

Mr. SHANAHAN. No, I do not think that you are.

Mr. SULLIVAN. Well, you can not show that we are not.

Mr. SHANAHAN. Well, several years ago I did make an intensive study of it.

Mr. JACOBSON. Well, I know you were in Duluth and acquainted with the situation but I would say that we have a mill in the Inspection Department that was put in lately that will be workable, that will take out a thousand bushels of wild peas in an hour. I will send the secretary a statement of the wild peas that were shipped out from the Washburn-Crosby and the mills in Minneapolis represented here within one year.

Mr. SHANAHAN. I would say that the penalty is right because you can never learn when you ship a car from a country elevator where it is going. It may go to a mill and that is the only car of wheat that he has, and he certainly can not make flour of it, and in the last analysis the milling value of wheat is what fixes your price. There is no use trying to get wrathy with the miller. The miller is the farmer's best friend as far as wheat is concerned.

Mr. SULLIVAN. Then do you revise your statement that the penalty on account of peas is all right.

Mr. SHANAHAN. I say that the man that will discount those wheats as was suggested here by this gentleman is a robber.

Mr. SULLIVAN. That represents the difference in market value on one day.

Mr. SHANAHAN. Well, I said I did not believe it. Now, these hearings have been familiar to me for the last 30 years, not as a governmental proposition, but as a north-western proposition. I can look back and remember in our experience with Minnesota grades that were shipped out of Duluth and Minneapolis that were very unsatisfactory. I can remember hearings at which very much the same complaints were made of the Minnesota grades as have been made here to-day. I do not see wherein the virtue of those Minnesota grades lies. As a matter of fact, during that time that the Minnesota grades were in vogue, in force, we as buyers on the lower lakes or in the eastern part of the country, it was necessary for us to buy very, very close as to price because we never knew what we were going to get from one week to the other as far as quality of the wheat was concerned.

There have been great changes in the Northwest in the last 35 years, and we forget history very quickly. When the country up there was opened up first, there is no question about it that it was the best wheat country in the world, and a uniform, fine, hard wheat was grown. For several years, probably a decade or more, the Minnesota grades were fine; they made a world reputation, and justly so. Minnesota hard-wheat flours were sold all over the world on their merits, but unfortunately to-day they have got a country that is exhausted; it is full of diseases and the least little thing that happens to the wheat, away it goes; you have not had a crop of wheat in three years, and you know it and know why. Now, it is a very different thing in trying to grade wheat under these conditions than 30 years ago, and the Minnesota grades did have a reputation, but they had a populistic government up there early in this century and they had a populistic chief grain inspector. I remember very well the results of his régime. It was not very long, thank God, but he is the fellow that wanted to put all the wheat that they raised in that northwestern country in one grade, and pretty nearly did, and when I was in Europe in 1908 Minnesota inspection had anything but an enviable

reputation. Those are things that I want to call to your attention just to show that I do not believe that there is any virtue in Minnesota grades.

Mr. SULLIVAN. Might I suggest that I would like to understand just the relevancy of the remarks made up to date. We are here to ask for specific modifications of the Federal grades that we have put before the Secretary. You can have a copy of them. And I see no reason for going back into the history, whether populistic or not, as to the efficient qualities of the Minnesota grades.

Mr. SHANAHAN. The relevancy is this, that I have had experience with the development of the principles upon which these grades were built. For four years I was at the Department of Agriculture, as I said before. Somebody here said for the Northwest that they were willing to play ball. I never found them willing to play ball excepting on their own terms, and they are the only region in this country that we had trouble with.

Now, as to the suggestions. The first one on the abolishment of the red spring class. I see no objection, and I see no benefit. The abolishment of grade 5 in all subclasses. I do not know that there is very much objection to that. I do not know of any right now because we as millers would not buy a 5 grade, we would not buy a 4 grade, and I won't buy 3 grade now on a Minnesota inspection because I do not know what I am going to get.

Mr. JACOBSON. But you are getting Federal inspection now.

Mr. SHANAHAN. Yes; but they spoilt the Federal when they changed it; they spoilt it as a possible commercial grade which I think your country up there should have.

Mr. EVENSON. Well, now, we are going to cut that down.

Mr. SHANAHAN. Any moisture over 15 per cent to be made part of the grade designation. I do not agree with that. We went into that matter of moisture rather extensively when I was here at the department, and there have been experiments carried on since in the department that I know of, and I believe that any wheat containing more than 13½ per cent or 14 per cent of moisture is not fit for storage. Not in the Northwest; but when it gets down into this climate or on the Atlantic seaboard it will immediately go wrong. It is all right for storage in the Northwest.

The SECRETARY. On the moisture you are of the opinion that the moisture content should constitute a basis for grade, are you?

Mr. SHANAHAN. Yes; I do, decidedly, because why? There are several good reasons. Take wheat at \$1.75 and it has 15 per cent of moisture and we turn out flour containing 12½ per cent of moisture, we lose right there.

The SECRETARY. As a matter of practice, do you pay any premium for wheat containing a low per cent of moisture, 10 or 12?

Mr. SHANAHAN. No; we pay the basis, but we will pay less for wheat containing an excess of 13½ or 14. That would depend upon the quality of the wheat containing that low grade. Now, there is wheat containing from 8 to 9 per cent of moisture that is raised on the Pacific coast, if you please, that we would not pay anything for it because we can not make flour to suit our trade. Now, for spring wheat 13 or 13½ per cent moisture I would pay certainly an adequate premium for that over one containing 15 per cent, and it is obvious why.

Mr. JACOBSON. You think 15 per cent would be all right for the Northwest?

Mr. SHANAHAN. I do not dispute it; I think it is all right.

Mr. JACOBSON. We come down here for the Northwest; we will not ask you to buy any of that 15 per cent wheat if you do not want to.

The SECRETARY. But it is a matter of interest to you whether a grade of Northwestern wheat will stand up in this country. Mr. Shanahan's point is that 15 per cent means that it will keep well in the Northwest, but it will not keep so well down here. That is your point?

Mr. SHANAHAN. That is it, and it is all right if these gentlemen are so self-centered in the Northwest that they can use their wheat, but they must find a market for it somewhere and certainly the buyer who pays his good money must be interested in the keeping qualities.

Mr. MURPHY. Have you any definite experiments that anything above 14 would not keep?

Mr. SHANAHAN. I think that is my recollection.

Mr. SULLIVAN. What is the fact?

Mr. SHANAHAN. The fact is that when we bought spring wheat and put it in elevators and carried it, 14 per cent, for three months, it got hot.

Mr. SULLIVAN. When was that?

Mr. SHANAHAN. It was between 1906 and 1910.

Mr. JACOBSON. The Bureau of Markets told me this, when we attended the tentative hearings in Washington, that they had no experience whatever in testing the wheat

for moisture. They even went so far as to tell how much moisture flour will carry for export, and there wasn't a chemist in the Bureau of Markets that would tell us, because Congressman Norton asked me what I knew about it.

Mr. BENDIXEN. If I understood you right you said you pay a premium for wheat of low moisture content.

Mr. SHANAHAN. Yes; certainly it is worth more to any miller.

Mr. BENDIXEN. Have you done that?

Mr. SHANAHAN. Yes; we have done that; we discriminate against damp wheat every time. Damp wheat is anything that contains over 14 per cent moisture with me.

Mr. SULLIVAN. There is no provision in the Federal grades providing for that.

Mr. SHANAHAN. That is altogether outside of the question.

Mr. SULLIVAN. How would you figure that you could make the present Federal grade requirements applicable to the purchasing and marketing of grain in the primary markets in the Northwest. How can you make it work?

Mr. SHANAHAN. Well, there is one way; perhaps a crude way is this. I occasionally go to Minneapolis and buy wheat, 25,000 or 50,000 bushels on the tables, or by sample, especially when I want a wheat that is not of first-class quality, and I try to make a three wheat that will suit our purse. The ordinary three wheat will not do it, and I buy a car of this and that and the other, and I take into consideration the moisture content and the test weight and other things, mixtures, etc., and I figure out what my average in all these factors is going to be. It goes to Duluth, and I put it in the elevator and mix it and I get my grade. There is no reason why the country elevator could not do it and use only one bin.

Mr. SULLIVAN. Well, the question is directed to the 40 or 50 wagons coming out to the country elevator and the country elevator man finding out the moisture and settling with the farmer.

Mr. SHANAHAN. It has been justified here and I know it is true that the moisture content does not cut any figure in only about 20 per cent and then not in all of the grain. Now, I think if a man was valuable as a buyer it would not be necessary for him to make a test of every wagon. I think he could use his judgment and come within a very slight difference of what his right would be at the terminal market if he knew his business. The truth is, as I understand it when I know anything about it, that these fellows that buy this wheat out in the country elevators don't know their business. If they did, they would be able to buy closer and the farmer would be able to get a reflection of the Federal grades.

It would seem to me that the Department of Agriculture here has recognized during the past several years; to my knowledge men from the department at the fairs in the country have been going around trying to teach these people what these grades are, trying to simplify them.

Mr. POTTER. I have lived in Minnesota for 56 years, am a farmer, have always been on the farm. Notwithstanding your statement, I have attended all kinds of county fairs, State fairs, farm meetings, and never heard of any discussion on the grain grades.

The SECRETARY. The whole question is, is it a practical thing for the country elevator to buy on a grade which is based on moisture content? That is the point you are trying to raise.

Mr. SHANAHAN. I think it is for 90 per cent of the stuff they buy. Now, on the other 20 per cent they would make a bigger noise than the 90. It usually is true in the grain trade as I found it. Now, your foreign material in wheat except rye. I have always felt and have advocated during the time that these grades were being promulgated that that be done; that the grades be fixed upon the bare weight and nothing else, everything else being dockage. Of course, rye is another grain. That is not foreign material. What should be done about this pea question I do not know, but I think the effect of those peas is greatly exaggerated. I think that they are so small a portion of the grain coming into the markets that have those peas that the mixers can take care of them.

The SECRETARY. What percentage of your wheat in the North.

Mr. JACOBSON. It is only certain sections of Minnesota where the wild peas come from in the middle western part. That grain that comes in from that territory is good grain, good wheat, but of course it is lowered on account of the wild peas. I think it comes from Senator Potter's district.

Mr. POTTER. In the last few years we have had wet weather, and as a rule in the last few years the wild peas have knocked us out of No. 1 or No. 2 on account of the abundance of wild peas coming in.

Mr. SHANAHAN. Have your discounts for pea mixture ever raised?

Mr. POTTER. No; they have not.

Mr. SHANAHAN. About what have they docked you?

Mr. POTTER. Two to three grades. Our local mill has been buying this grain and at times they will pay less than that margin.

Mr. SHANAHAN. Of course, your local mill is restricted to an amount of that stuff he can use unless he can clean it.

Mr. POTTER. He can not clean it.

Mr. SHANAHAN. I feel satisfied that no reputable miller or reputable grain man or reputable receiver would allow anywhere near such dockages as that in price. I mean as between these grades, and there is no reason under the heaven why they should be docked like that at the country elevators.

Mr. SULLIVAN. The practice is that when docking reduces the wheat from one grade to another at a country elevator the settlement is made on the price of the grade that it received.

Mr. SHANAHAN. That is what I said; if your man at the elevator knew his values or knew what he was buying, he could not dig the farmer so much.

Mr. SULLIVAN. You mean reduce the grain from one to two and then pay him a price somewhere between one and two?

Mr. SHANAHAN. Pay him what it is worth for the mixture.

Mr. PALMER. So we make the inseparable material a part of the grade designation. Then the man that buys it knows what he is buying, and then if your New York miller can not handle it he would not buy it.

Mr. SHANAHAN. I do not want to say that it can not be handled that way.

Mr. PALMER. If you make it a part of the grade designation, it would settle the whole thing.

Mr. SHANAHAN. It would be all right if the percentage was shown. That would protect the miller who is in the country and who buys a car of wheat with 5 per cent of peas in it, and he can not use it. That will protect him. I do not object to that at all.

The SECRETARY. Now, what about the weights?

Mr. SHANAHAN. I do not believe you will benefit anybody by reducing the test weight of these wheats. In the first place, in the old Minnesota grades they had a grade of No. 1 hard wheat. The required weight was never less to my knowledge than 58 pounds. No. 1 dark northern wheat is supposed to take the place of the No. 1 hard wheat, and it does if it is properly graded. Therefore, I think it should test 58 pounds. Here he has shown you wheat that weighs 59 to 62 pounds. If you reduce the grade to 57, that man will be penalized because he will not get more than the value of 58 pounds.

Mr. JACOBSON. The reason for that is that there is a 57-pound wheat that is a better milling value than 59 or 60.

Mr. SHANAHAN. Now, I think there is a little misunderstanding there. Millers pay premiums sometimes, not always, for that kind of wheat. Why? Because they have an average, and some of their wheat is soft, and they want to average up. And when they figure their wheat up they lose as compared with 58 pounds. Take the 57-pound wheat as against 58; you get a difference on the barrel considerably more feed than you do flour. The consequence is that the price of feed as it is now, you have to figure on the bottom, and up goes your flour. It is like water finding its level.

Mr. JACOBSON. Do you know that of these wheats, take, for instance, the marquis and the bluestem, that we have lots of 55 and 56 pound wheat that the millers will not take, because there is nothing but gluten. Now, you and I understand wheat. You know if you take a kernel of that hard wheat, there is no starch in it at all; there is nothing but gluten, and that is what the millers want.

Mr. SHANAHAN. Now, as a matter of fact, that 55-pound wheat that is all hard, glutinous wheat, to use as itself alone is not worth the money that the miller will pay for it.

Mr. JACOBSON. You remember what Mr. Lingham said last year before the Grain Corporation. He said he had paid 20 per cent premium on 700,000 bushels of wheat in Minneapolis because he had to have the gluten wheat.

Mr. SHANAHAN. He was making hard red spring wheat flour out of some wheat he got down in the State. That is the reason they paid for it, not because it will make better flour or more flour.

The SECRETARY. If there should be changes in these grades, in your opinion, would the price paid adjust itself to these changes.

Mr. SHANAHAN. Yes, undoubtedly; but there is one factor that ought to be taken into consideration, and that is, it does make confusion in the markets, and I think that the better classes of wheat, the better qualities of wheat would suffer. The whole principle upon which these grades were based is to get a narrow range within the grade itself. The narrower that range is, and it is practical to handle it, the closer the value of the wheat will be realized. Now, whether it is reflected back to the farmer is another question, but I think it must be inevitably reflected back in some measure.

Mr. SULLIVAN. You are representing the buyers?

Mr. SHANAHAN. Can you reflect that back to the producer?

Mr. SULLIVAN. I only asked you a question.

Mr. SHANAHAN. I deny that I am representing the buyer alone.

Mr. SULLIVAN. But you are interested in the side of the buyer.

The SECRETARY. Let me be frank with you. I do not care whom you represent so you throw some light on this proposition. I do not think you ought to question motives or whom you represent.

Mr. POTTER. I would like to answer the question about reflecting it back to the farmer. The conditions of our elevators and our conditions out in the country are this: There might be wheat that would weigh 57 pounds that would be very good, sound, good milling wheat, in every respect excepting the test weight would be No. 1, and that has become more prevalent in our southern Minnesota than it used to be. In buying in this wheat that we haven't any room to put it unless we put it in No. 1 or No. 2, we can not keep this wheat by itself, and more of our wheat would come into this class. But when we could get that good milling wheat into the bins where we could ship it out in lots it would reflect to the benefit of the farmer.

Mr. SHANAHAN. Now, to a certain extent it seems to me that you could blend that wheat and strike an average price on it.

Mr. POTTER. The trouble is in blending it that we have too little wheat that would go above 58, and if you put this 57 wheat into the 58 wheat we are knocking the whole thing down. If we had 60-pound wheat and quite a lot of 59 we could do it nicely.

Mr. SHANAHAN. You have to buy your stuff accordingly, but I will say this that that plan is used everywhere in the grain trade outside of the farmers' elevator, evidently.

The SECRETARY. Mr. Potter, you do not mean to suggest that the grades should be adjusted to the man who is working under disadvantage and would find himself unable to raise the highest quality of wheat?

Mr. POTTER. Our quality is very good.

The SECRETARY. I mean the milling value of the wheat. In other words, if there are localities in which it is impossible to raise wheat of the highest grade, you do not mean to suggest that our grades should be adjusted to fit these localities.

Mr. POTTER. But our quality outside of just the test weight is not depreciated as much as the test weight.

Mr. SHANAHAN. In that case you ought to get pretty close to the No. 1 price at that.

Mr. POTTER. The trouble is you are penalizing the man too much by our method of handling.

Mr. SHANAHAN. Of course, if you only have one bin or two, that is a different thing.

Mr. POTTER. Well, that is our condition.

The SECRETARY. If you are not going to base the grade on moisture content and not on weight, where will you come in?

Mr. SHANAHAN. The only alternative for that, it seems to me, is to buy and sell on a fair average basis like they do everywhere else in the world excepting the United States and Canada. I doubt very much whether the farmer gets everything that is coming to him under these conditions.

Mr. SANDERSON. How much difference do they usually make in price per pound test weight?

Mr. SHANAHAN. Well, that depends upon your original value, and you can figure it out on the percentages.

Mr. SANDERSON. Well, I mean No. 1 wheat, weighing 61 pounds, nice bright color, and another sample weighing 57 pounds; how much difference would there be?

Mr. SHANAHAN. Well, I should say there would be at least from a cent and three-quarters to 2 cents a bushel to the actual yield value. Now, of course, the yield value is not the only question.

The SECRETARY. How can you enlighten us on these words "good color" and "bright"? What are the words that are used in the ordinary course of the trade?

Mr. SHANAHAN. Bright and good color, both, I think, if I recollect why that word "bright" was used; a bright wheat; that is; as I say, a bright wheat shows up all defects if there are any; it shows up its quality, especially in this dark, vitreous wheat. A good color may be slightly bleached and cover up some of the defects. That is a technicality that I do not think amounts to anything and ought not to be in there, and I would not worry about it; if they wanted to change it I would change it. Now, on this subclass for mixed durum there is a question, Mr. Secretary, upon which I think the Northwest ought to have some relief.

The SECRETARY. Well, I understood you to say that a short time ago.

Mr. SHANAHAN. There is a great deal of volunteer spring wheat that is raised in the Northwest, and as a matter of fact most of the wheat comes in there right from the farmer as it is grown and mixed. I have always contended with the boys here that

their mixed wheat grades, and there should be grades, do not mean anything; that they should be more specific. Now, for instance, mixed wheat will admit up to 50 per cent of another wheat, I think it is, or 49 per cent, I am not quite sure. The durum wheat that is grown in the Northwest, containing perhaps 15 to 20 per cent of volunteer wheat, and when it is shipped out of the elevators they take an inferior spring wheat and add to it 20 per cent volunteer to bring it up to 49 per cent, and it goes into the market, and that is the bulk of the durum wheat that they have to export, and I believe that it is doing a great harm to our export trade in durum wheat, and I think that thing ought to be fixed. That is, they ought to fix grades of mixed wheat durum that will take care of the biggest part of the durum wheat grown in the Northwest which contains volunteer spring wheat. It is a real hardship, as I see it, and ought to be fixed.

Mr. STEENERSON. What is the change you recommend?

Mr. SHANAHAN. I recommend that they make regular grades of mixed durum wheat, allowing spring wheat up to a point that will take care of the bulk of the wheat that is grown in the Northwest that contains volunteer spring wheat.

Mr. STEENERSON. How much?

Mr. SHANAHAN. I do not know; that is for the experts to determine. I am not interested particularly in durum wheat excepting I think that is a point that is a real hardship to the farmer and the producer that he can not help, and it should be fixed in my opinion. Now, in the rye, I think the integrity of your better grades ought to be kept, because, as I said before, in this case of rye, it discolors the flour, and there is not any 1 per cent or 2 per cent, or half a per cent or anything else that will not discolor it to a certain extent. A great many of the mills in this country are making flour and the public demanding a white flour. They are not allowed to bleach without they mark it bleached, and that hurts the sale of flour. I do not believe that rye should be allowed to a greater extent than 1 per cent. I think like these peas, it is a matter that is made too much of and that that in the markets it will be taken care of in a general way of trade without much trouble.

Mr. EVENSON. Now, we propose to take the peas out and allow a total per cent of 4 of rye. Now, would you rather have 1½ peas and 1½ rye, or 4 per cent straight rye?

Mr. SHANAHAN. I would object strongly to either; I do not want it; I would not buy it if I knew it.

Mr. EVENSON. The present grades provide for 3 per cent.

Mr. SHANAHAN. I rather think that works itself out better in the Northwest than if we were buying a cargo of wheat. If we were buying a cargo of wheat and got it we would think it was a very great hardship.

Mr. EVENSON. Don't you get it now?

Mr. SHANAHAN. No, sir; we do not, because you haven't got enough to do it with, and the elevators haven't got enough. That is the reason these things are made too much of.

Mr. EVENSON. I have some samples down at the hotel that I would like to show you.

Mr. SHANAHAN. Well, that may be some of the wheat that I am telling about, that I would not buy for any price.

Mr. GOETZMANN. Would you buy 1 bushel of wheat on grade out of Minneapolis or Duluth to-day?

Mr. SHANAHAN. Not 3.

Mr. GOETZMANN. Would you buy No. 1 without seeing it and knowing exactly what you have?

Mr. SHANAHAN. I would; but I would expect to get very poor wheat the way they are grading it now, because they haven't got any good wheat.

Mr. SULLIVAN. As a matter of fact, you buy by sample?

Mr. SHANAHAN. No; we are located at Buffalo, but I have found in the last two years when you had poor wheat in the Northwest that it paid me to select my wheat.

Mr. SULLIVAN. Well, then you buy on sample.

Mr. SHANAHAN. Yes; but that has been a very little part of our purchases.

Mr. JACOBSON. You say we have only poor wheat?

Mr. SHANAHAN. I didn't say "only," I said, speaking generally, you have a poor crop of wheat.

Mr. JACOBSON. Our laboratory shows a high test last year. If it was a very poor wheat, why would you or anybody else come up and buy it?

Mr. SHANAHAN. During the last four months, or all winter, we have been buying Canadian wheat, which is 10 cents a bushel better than we can get graded out of Duluth.

Mr. JACOBSON. I am speaking of the northwestern wheat.

Mr. SHANAHAN. But we are willing to pay a premium for that Canadian wheat, not only because it is a good wheat, but because the inspection is uniform.

Mr. JACOBSON. That Canadian wheat is inspected in Minneapolis and Duluth.

Mr. SHANAHAN. Not ours.

Mr. JACOBSON. Of course it is.

Mr. SHANAHAN. I had an experience in Minneapolis, and I do not want any more.

The SECRETARY. That is all interesting but not illuminating to this subject.

Mr. SAGENG. What are you saying about the inspection, are you knocking the Federal system up there?

Mr. SHANAHAN. Yes, sir; and I say it would be ten times worse if it was not the inspection of the Federal Government, in my judgment. Now, as to rye, I do not want rye.

The SECRETARY. You think it would be a mistake if we should increase the percentage of rye?

Mr. SHANAHAN. I think it would, Mr. Secretary; it would not benefit anybody to my way of thinking, and it would encourage the mixture of rye in wheats that we get under ordinary grades. You must not forget that every time you loosen up on a grade that you increase the temptation and make it all poor. God knows, some of it is poor enough now.

Mr. JACOBSON. You do not believe our terminals in Minneapolis and Duluth would mix rye in wheat because they had 2 per cent of rye?

Mr. SHANAHAN. I do not know what they would do now, but you know what you said they did years ago.

Mr. JACOBSON. But you do not think they would do that?

Mr. SHANAHAN. I do, and I would do it myself if the grades allowed it and if I was in the grain business.

Mr. SULLIVAN. How much would it cost to put 1 per cent of rye in wheat?

Mr. SHANAHAN. When you were letting the wheat run out to the boat or to the car it won't cost you anything; it will cost you a little effort of opening the rye spout.

Mr. SULLIVAN. You would open it just enough and shut it off just at the right time?

Mr. SHANAHAN. If I wanted to get it graded.

The SECRETARY. I think we will have to admit that if the grades make it worth while that thing is likely to happen. It is just a question of whether it pays; that is all.

Mr. SHANAHAN. Yes, that is true. Rye is not always on a level comparison with wheat. Sometimes it is high, sometimes low, and it is so with oats.

The SECRETARY. Whenever it becomes profitable it is likely to happen.

Mr. SULLIVAN. What about No. 9?

Mr. SHANAHAN. The general principle, I say, I think the Federal present grades are very liberal with the exception of durum wheats. I would say always and recommend strongly that the No. 3 grades be put back where they were before they were changed. I think that would make them more valuable to everybody concerned.

Mr. SULLIVAN. If there was a penalty attached for winter wheat whether durum ought not to be on a parity with it mixed in with hard spring wheat. I only want to be sure that we understand each other. At present, as I understand, durum wheat is put in a class with common white and club white. In so far as a percentage of it is mixed with hard spring wheat while winter wheat does not penalize hard spring wheat as much. If you have a No. 7 hard spring wheat we simply ask that it be allowed to have 5 per cent of winter wheat or 5 per cent of durum wheat; that the durum wheat and the winter wheat be treated alike; that 2½ per cent of common white or club white at the present time durum is only allowable in the same percentage as common white or club white while winter is allowed twice as great a percentage. We want to put them on a par.

Mr. GOETZMANN. Before you answer that—

Mr. SULLIVAN. Won't you let him answer it without being coached?

Mr. SHANAHAN. I do not need any coaching. I will say this: There seems to be a misapprehension as regards to the value of winter wheats as compared to spring. I can comprehend a case where I could buy out of a certain section in Canada 50 per cent of a certain kind of dark, hard northern wheat and mix it with your dark northern spring, and I could make just as good a flour of it as I could out of spring wheat alone. Besides that I would get a better yield of flour out of the mixture—more flour than I would out of the spring wheat. Now, that don't apply generally, understand me. I mean I could pick it out; I could go down in the country and pick it out.

Mr. SULLIVAN. That is not the question at all; the question I want to ask is whether it would be allowable.

Mr. SHANAHAN. I would rather have 10 per cent hard winter wheat in northern spring as 3 per cent of durum or club wheat.

The SECRETARY. Would you make a difference in the percentage allowed of common white or club and the durum wheat?

Mr. SHANAHAN. I do not think I would allow a percentage to be enough so there would be any difference.

Mr. JACOBSON. Would you allow more durum than common or club?

Mr. SHANAHAN. I would prefer to have durum a little in the mixture than club; but I would say I would rather have hard winter wheats, ten times, than either.

Mr. JACOBSON. But would you rather have the durum than the others?

Mr. SHANAHAN. Yes; I would say that.

Mr. McGOVERN. Just so there won't be any misunderstanding in regards to the grades and the prices I gave you. I meant to say the prices I gave you there would be the prices that the farmer would receive at the country elevator.

Mr. SHANAHAN. That is not a thing that is the fault of the grading altogether the n. It would be probably the same thing in a lesser degree in the case of the Minnesota grades.

Mr. PALMER. Now, here is the way the farmer feels. The farmer comes up with what he knows is a lot of No. 1 wheat and the elevator man says it is No. 4 or 5. That man feels as you would if you took a ten dollar bill to the bank and the banker said it was not worth ten dollars.

The SECRETARY. Why does the elevator man say that.

Mr. PALMER. Because it has that inseparable material in it and the farmer knows very well that that will go to the terminal and that inseparable material will be taken out and it will be No. 1 wheat when it gets down there. I just want to show you how the farmer feels.

The SECRETARY. I know how the farmer feels. I have been all through that. Now I just want to say that I haven't had any reason to think there is any other purpose in the mind of any of our people than to set up a system of grades that will be helpful to everybody concerned and that they have done it in perfect good faith and absolute integrity for the purpose of helping this whole wheat industry and not in the interest of any one particular angle. I have had no reason at all to think otherwise than that, and I want to say that that will be my purpose in anything I have to do with this, to be absolutely fair and generous. I think we had better take a recess now and begin in the morning at 8 o'clock.

THURSDAY MORNING, APRIL 28, 1921.

Mr. P. D. McMILLAN. Mr. Secretary, I represent the Washburn-Crosby Co., of Minneapolis, and I wish to submit the following statement in reference to the proposed changes in the Federal grading of spring wheat:

MINNEAPOLIS, MINN., April 25, 1921.

Hon. HENRY C. WALLACE,
Secretary of Agriculture, Washington, D. C.

DEAR SIR: Notice has been given of a public hearing at Washington to consider changes in the rules for the Federal grading of spring wheat. We wish to express our opinions, not on the details of any specific changes, but upon certain economic principles which underlie all systems of standards whether those of wheat or some other commodity.

Our interest in this matter arises from the fact that our prosperity as millers depends upon the production of good wheat in the Northwest. We realize that this production depends upon the return in dollars and cents of the producer. Therefore, any plan of marketing which is unsound economically and injures the wheat producer of the Northwest directly injures us as millers.

The argument has been advanced that the producer will be benefited by lowering the standard of Federal wheat grades. If the Secretary of Agriculture is convinced that the wheat producer would be benefited by a standard of grades even lower than those existing, he should lower them. We, however, believe the producer would be greatly injured by such a change.

The original spring wheat grades of one, two, and three, as established a generation or more ago, were equal in quality to the standard requirements of the consuming buyers. About 15 years ago there developed the erroneous theory that no relationship existed between the grain standards and the requirements of the consuming buyer. The first change in accord with this new theory was in 1910. Since that date there have been numerous other changes, all reducing the standard, until it is now possible for wheat to grade number two and three, out of which it is impossible for a miller to manufacture flour equal to a standard flour brand.

The result of this departure from the old principle of a high standard has been:

- A. To discourage the production of good wheat.
- B. To encourage poor farming methods.
- C. To encourage short selling.
- D. To increase the margin between the producer and the consumer.
- E. To depress the price of wheat, resulting in a loss of millions of dollars to the wheat producers of the whole country.

We base the above statements on the following: When the standard of quality is lowered, its value is lowered, and therefore, unless there is a Government-guaranteed price, the selling price is lowered.

By failing to give a higher grade to the better wheat the producer of choice wheat is forced to sell his choice quality on the basis of the value of the depreciated standard. The increased return claimed for the farmer who, as a result either of misfortune or poor farming methods, has grain of inferior quality is imaginary. The low standard merely decreases the discount at which the poor wheat sells under good wheat by lowering the price of good wheat. The producer of good wheat is injured, and the producer of poor wheat receives no benefit.

Future trading has been criticized because of short selling, and it has been suggested that short selling be restricted. If the short seller were required to fulfill his contract with wheat equal to the standard requirements of consuming buyers, short selling would not be as profitable and would restrict itself. Thus an economic principle would effect the correction instead of using doubtful legislative action.

Any decrease of margin between the producer and the consumer will be brought about by measures which decrease the expense or risks of doing business. A change which increases the risks of marketing will increase the margin of the middleman. The middleman receives pay for risks taken. If the buyer of grade wheat is liable to receive wheat below the requirements of consuming buyers, the buyer must buy on a wider margin to protect himself.

The miller is the ultimate buyer of 80 per cent of the farmer's wheat. When the minimum quality of wheat admissible to Nos. 1, 2, and 3 grades is not equal to the standard requirements of mills grinding that variety of wheat, the market for those grades has been deprived of its greatest stabilizing buying power. The argument has been advanced by advocates of the depreciated standard that this would make possible the marketing by the farmer of his low-grade wheat on a smaller margin. This is true. It is also true that over a period of years more than 65 per cent of the wheat raised by the northwestern farmers would grade the higher grades. A change, therefore, which enables the producer to merchandise less than 35 per cent of the crop on a smaller margin, but makes necessary the marketing of 65 per cent on a larger margin, is not a very good trade, as far as the producer is concerned.

The theoretical gain made by the producer in marketing his poor wheat on a smaller margin is more than offset by the fact that the whole price level is lowered. For example, if the price level is \$1.70 and the producer sells his wheat at 20 cents discount, he receives \$1.50. If, however, the price level is lowered to \$1.30, even if he sells at no discount, he receives only \$1.30. Therefore the producer is interested primarily in the price level, not the premium or discount.

The dissatisfaction of the wheat producer during the past 11 years is natural, because he has been forced to market his wheat on the basis of value of a greater and greater depreciated standard. The plain fact is that the present wheat-marketing system is not as efficient as the one which existed 15 years ago. It is significant that the dissatisfaction of the producer has increased with the decrease in efficiency of the wheat-marketing system.

It is certain that the misdirected efforts of individuals who have endeavored to assist the producer have been largely responsible for the lowering of the standard of quality of wheat grades, which form the basis of value upon which the crop is marketed. It should be admitted that a low standard of quality is beneficial only to terminal elevator mixers. An efficient marketing system can exist only when the standard of grades is equal to the standard requirements of consuming buyers. The theory of a wheat grade standard represented by a depreciated quality has certainly been sufficiently tried out these last 11 years, so that its failure is evident.

It is therefore requested that before following this unsound economic theory any further that a careful investigation be made by the Department of Agriculture as to the benefits to the producers from marketing upon the value as established by a high standard rather than the basis of value established by a low standard.

It would appear that the same economic law would apply to the effect of marketing a commodity on a high or low standard whether that commodity were wheat or some other article. It is requested, therefore, that the Department of Agriculture have a careful investigation made of the benefits and injuries which have accrued to the

apple producer of Washington and Oregon, to the cantaloupe producer of Colorado, and the orange producer of California and Florida by marketing their product upon the basis of value established by high standards.

If for the past 11 years the wheat farmer of the Northwest has been led to follow an unsound theory in having adopted a depreciated standard upon which to market his wheat, it is time that this condition ceased. The ridiculous theory of endeavoring to advance the price of a commodity by lowering its quality should be abandoned.

Respectfully yours,

WASHBURN-CROSBY CO.,
By PUTNAM D. McMILLAN.

Mr. McMILLAN. Mr. Secretary, that is a brief I wish to leave with you. If you think our position is correct, we hope you will give it due consideration as to the effect on the producer. We are not asking anything as far as Washburn-Crosby is concerned. We can look after our interests on that. Now, here is a petition I wish to present, also, Mr. Secretary.

Hon. HENRY R. WALLACE,
Secretary of Agriculture, Washington, D. C.

DEAR SIR: Whereas our prosperity as millers depends on the production of good wheat in the Northwest, and whereas we realize that this production will depend in the long run on the returns in dollars and cents received by the producer, and whereas for the past 11 years the financial returns of the producer of good wheat have been increasingly injured by the effect of an unsound economic theory which forces the producer to market his wheat upon the basis of the value of a depreciated standard of quality, and whereas this unsound economic theory has already caused the producer a vast loss, and whereas this false theory has been followed for sufficient time to fully demonstrate its absolute failure:

Therefore, we, the undersigned millers, request the Secretary of Agriculture to hold a public hearing at which all interested will be invited to present evidence as to the benefits or injuries to the producer of marketing wheat on the basis of the value as established by a depreciated quality standard.

It is also requested that this hearing consider evidence as to the value to the producer of marketing his product upon the basis of the value established by a high standard of quality. The hearing, therefore, would consider the benefits to the producer of marketing upon the basis of the value established by a high quality standard equal to standard requirements of consuming buyers versus the benefits or injuries to the producer by marketing upon the basis of value established by a low quality standard below the requirements of consuming buyers.

It is further requested that the Secretary of Agriculture arrange to have presented at that hearing evidence showing the benefit or injury to the producer caused by the high standard established for the marketing of other agricultural commodities. It would appear that the same economic principle would apply to all commodities.

Big Diamond Mills Co., by B. B. Sheffield, president; Commander Mill Co., by W. H. Sudduth, vice president; Empire Milling Co., per J. W. Mashek; International Milling Co., John R. Morris, manager; Russell-Miller Milling Co., per H. L. Helm, vice president; Barber Milling Co., per E. R. Barber, jr., president; Northwestern Consolidated Milling Co., H. P. Gallaher, vice president; Washburn-Crosby Co., by John Crosby, president; Sheffield King Milling Co., H. H. King, president; Great Northern Flour Mills Co., W. A. Thomas, president; Cannon Valley Milling Co., per F. H. Thayer, treasurer; Pillsbury Flour Mills Co., by A. C. Loring, president.

Mr. YOUNG. I think you realize that the most difficult thing in connection with all these hearings is to get the farmers—the actual farmers—to the hearings. There is here now a good representation from the Northwestern States. It costs money to come down here. The ordinary farmer can not afford to come; he does not belong to associations that can finance them. Evidently you got notice of this hearing; probably all other millers got notice of it. These farmers can not come back later to another hearing, so that probably the next hearing will be an ex parte hearing, that only millers may be here. As you have already had your notice, and this is the time for the hearing, I think, Mr. Secretary, that they ought to be requested to come here. These farmers can afford to stay around here a few days better than to come back from North Dakota and South Dakota and Minnesota. It looks to me like a great injustice to ask for another hearing.

Mr. McMILLAN. Mr. Secretary, I was here yesterday afternoon and listened for a couple of hours or so to a discussion by people on the opposite side. It was all on the

question whether wheat would get hot at 14 per cent moisture or 14.5 per cent, or some particular details. That was one thing, and the various other details of suggested changes in the grading system and the grading system as it exists now. There was no presentation by these gentlemen of the economic principles underlying marketing. There was no attempt on their part to show where the producer would be benefited by having these low standards. Now, all the discussion so far has been on details of grades. We are not interested in the details of grades. If, Mr. Secretary, you are convinced that the producer would be benefited by 15 per cent moisture instead of 14, it is entirely satisfactory to us. You can make it 16 if he would be benefited by a lower standard. And the same thing regarding this rye. Now, if the producer is going to be benefited by permitting an additional admixture of 2 per cent of rye it seems logical to us to think that he would be twice benefited if he permitted that admixture to be 4 per cent.

Mr. YOUNG. If it is so easy to answer as that why aren't you ready to answer it now?

Mr. McMILLAN. It would be entirely satisfactory for us to have it that way provided, Mr. Secretary, you are convinced that the producer will be benefited. We are ready to discuss this question of high standards versus low standards, but this hearing was called to discuss certain changes, and all the discussion yesterday was the discussion of certain specific changes and not of the principles involved where the producer would be benefited.

The SECRETARY. The hearing was called to permit the presentation of resolutions from the Minnesota Legislature and to hear primarily the representatives who came to present that. It was not the thought to continue this hearing until all of the evidence should be in, evidence that we would feel necessary to have to make a final decision. I doubt whether you would be justified in resting what you consider the farmer's case on the presentation made here to-day.

Mr. YOUNG. You will recall that you were generous and said: "Gentlemen, you can have all the time you want," and the interview was over. Well, I said, having given us everything we have asked, we will not take any more of your time. The interview only lasted two minutes. So I hope you will give these gentlemen a chance to be heard, the millers, whatever they have to present, only I think they ought to present it while these gentlemen from the West are here. They can not come back here. It is impossible to get this group of men together again. Unless you can hear them now, they won't be here.

The SECRETARY. Let me ask you, Mr. Young, your estimate was that an hour and a half would be sufficient to complete what you want to present. Would we be justified in reaching a final decision at the end of your presentation of the matter so far as the producer is concerned, or should we invite other producers.

Mr. SULLIVAN. As I understand it the law is that once a modification is made it takes 90 days after a modification is made before it can go into effect. Now, it is within a few days of 90 days the new crop starts. This is just what has happened before. We want to get this over so that it will not be impossible to make modifications for the new crop. Then, we are done; we are finished for the year. Now, we ask that the matter be decided one way or the other in time to make the change for this crop year if there be any changes made.

Mr. YOUNG. Opportunity was afforded yesterday for the millers to cross-examine these gentlemen who came here from the West, and they want to have the same privilege with the gentlemen representing the flour mills, and, of course, they won't have that privilege if it is put over.

Mr. JACOBSON. Our board of grain appeals meets the first week in August to promulgate grades for the coming year.

Mr. SULLIVAN. That is the time the crop starts.

Mr. JACOBSON. Yesterday it was the millers that commenced to interrupt us, and we did not expect any interruption in our case. Now, I know these gentlemen very well; they are good friends of mine; we have worked on the opposite side for several years, and there are a good many things that I could ask these gentlemen, but I do not think it is necessary. I think when we present our case—and we are willing, Mr. Secretary, to leave our experts here with your experts, if it is necessary, but we do not like to take so much of your time to cross-examine these people.

Mr. JOHN W. AVERY. Mr. Secretary, I represent the Pillsbury Flour Mills Co., of Minneapolis, and I wish to present the following statement:

The mills in the Northwest manufacture a high grade flour and each year it is getting more difficult to obtain the necessary wheat from the northwestern wheat-growing section to supply their wants. It is life and existence for us to have a plentiful supply of good milling wheat and it is for that reason we are here to-day to make an appeal to you to maintain a high standard of wheat grading. We firmly believe it is to the producer's best interests to have a high standard of grades on which to sell, not only

his wheat but all he produces on the farm. A farmer is not going to be encouraged to raise good cattle if an ordinary mongrel animal will grade and sell the same as a highly bred shorthorn. He rightly expects to get something extra for all his efforts and carefulness in raising good cattle. Our butter in Minnesota is bringing the top prices in every market, due a great deal to the high standard of grades we have. There is now a movement to establish high standard grades for our cream, for the country feels it is not getting the price it should for the best cream on account of the lack of such a standard grade. The mills will not be affected materially in their daily buying by the raising or the lowering of the grade standards, for we will continue to endeavor to get the quality and quantity of wheat we need, regardless of grade, but it is advisable to have high standard grades which buyers and sellers may base their prices upon.

For some years certain people in the Northwest have been endeavoring to lead the farmers to believe that poor-quality wheat can be legislated into higher grades and thereby bring the same money that the better wheat sells for. These men have been fairly successful in such propaganda, and it is partially due to their efforts that the Northwestern States are not raising more good milling wheat. We are just recovering from a velvet-chaff wheat era that came near ruining the Northwest as a wheat-producing district. We are convinced that these people have been in the wrong from the start and that a far greater service would have been rendered the farmers if they had been continually working for better wheat, stricter grades, and thereby bringing more wealth into the farmer's pockets on account of their having a better grade of goods to sell.

Certain sections in North Dakota and Montana this year raised some choice 60-pound and heavier wheat that brought top prices in the Minneapolis market. We are of the belief that a grade calling for 60 pounds, at least 85 per cent dark kernels, dry, practically free from foreign material, etc., would be advisable. We have found on investigating that oftentimes the farmer in the country gets the same price for this choice heavy wheat as he would for 58-pound wheat, as they both grade No. 1 dark northern, and the buyer in the country is apt to aim to buy all his wheat on the minimum price necessary for each grade. If the test weight were lowered 1 or 2 pounds the same would be true, only worse. The farmer raising good wheat ought to get a good grade for that wheat, and it should not be necessary for him to market his choice heavy wheat at the same price as his indifferent neighbor does who raises nothing but ordinary wheat and who takes the stand that he gains nothing by careful, industrious farming, for he will get no more money for such efforts. We would like to have some one convince us that the farmer is going to be benefited by dropping the standard of grades, in so far as lowering the test weight per bushel, raising the moisture content, and by allowing a larger percentage of foreign material.

The farmer who sells 57-pound wheat would gain nothing but the man who sells 58 and 59 pound wheat would be dragged down to the 57-pound level. A low standard of grading naturally has the result of causing high premiums over the basic option price and this is a serious factor for such premiums make it necessary for the country buyer to buy on wider, safer margins, thereby making the flour buyer pay more than he should and the farmer get less. The Bureau of Marketing I am sure will bear me out in this. It is highly important that this margin between seller and buyer be kept as small as possible. The total amount of wheat that is lowered in grade in the Minneapolis market on account of moisture and foreign material is so small it is not a factor. The Government report shows that the average amount of rye admixture in all samples of all grades of hard red spring wheat examined by the department in the six years from 1911 to 1916, inclusive, was only one-tenth of 1 per cent. For the months of October and November, 1920, which are representative of the fall run of wheat, the inspection records in Minneapolis show that during the month of October, 1920, there were 9,249 cars of wheat inspected at Minneapolis. Out of these there were four cars lowered to a grade below two on account of excessive moisture, this being four-hundredths of 1 per cent. Also out of these 9,249 cars there were 75 cars lowered to a grade below 2 on account of excessive foreign material, figuring eighty-one hundredths of 1 per cent. Then again in the month of November, 1920, there were 8,375 cars of wheat inspected. Out of these there were 12 cars lowered to a grade below 2 on account of excessive moisture. This is fourteen-hundredths of 1 per cent. Also during the same month there were 49 cars lowered below 2 on account of excessive foreign material, this figuring fifty-eight hundredths of 1 per cent.

Now, it is asked that the grade standards be lowered to permit these few cars in the higher grades. Out of the 17,624 cars, part of 14 cars that were lowered on account of excessive moisture, and only a few of the 124 lowered on account of excessive foreign material, would be raised to a higher grade. The 1 and 2 grades obviously sell for more than the lower grades because of the guaranty as to quality. Is it wise

to lower this quality guaranty in order to benefit a few cars? The selling basis is at once lowered on all the wheat in these grades. It seems evident to us that the ones who will chiefly benefit by lowering the present standards will be the terminal mixers. It is ridiculous for any body of men to come here and state that the farmer is going to benefit by allowing another per cent or so of undesirable material in the better grades. Less than one-tenth of 1 per cent of the farmers would get any better grades. On the other hand, the terminal mixers are quick to take advantage of an opportunity to mix in the full allowance of rye, etc. A terminal mixing house can at present put out a 3 dark northern wheat that is not fit for a high-grade mill to grind. Considerable 3 dark wheat was delivered on contract in Minneapolis this year that was sold out rather than grind it, necessitating replacing at from 5 to 15 cents higher price.

What we all need and earnestly desire in the Northwest is a larger supply of high-grade milling wheat, and we ask your cooperation Mr. Secretary, not only in maintaining the present grade standards but by raising them, and further, we request you go into the matter of raising the standards, and if it so pleases the Secretary we should like to have an early general hearing at some central location on the subject of high standards versus low standards governing farm products.

Respectfully submitted.

PILLSBURY FLOUR MILLS CO.
By J. W. AVERY.

Mr. Avery. I might say we question very much the attitude of these gentlemen and I am sure if we had a hearing in Chicago or Minneapolis that there would be a great many more farmers from the Northwest than there are here. I do not see my friends here from Oregon and Colorado and Montana. We would like to have a lot more millers represented, too. We only have three millers here.

The SECRETARY. Do you think moisture should be one of the prime factors in establishing the grade?

Mr. Avery. Well I am not prepared to go into the details on the thing, Mr. Secretary; if the department should decide that 15 per cent is a safe standard.

The SECRETARY. I mean that moisture content should be one of the determining factors of the grade.

Mr. Avery. I am a believer in all the details as you have now on grades.

The SECRETARY. Do you think that instead of permitting the separable foreign material to influence the grade it should be considered as dockage.

Mr. Avery. It makes no difference to us. We are not interested whether they want to put anything in dockage; we will buy it accordingly. If we can not clean wild peat out of wheat we will not buy the wheat, that is all.

The SECRETARY. You will adjust your price to the grades whatever they might be.

Mr. Avery. Whatever they might be.

Mr. JACOBSON. Inasmuch as the farming element has been attacked here by the other side, I have been requested by the farmers present from Minnesota and Dakotas, we know your time is limited, but they would like to stay here even two or three days if they could be given time to answer the attack on the farmers of the Northwest—the poor farmers.

The SECRETARY. I am willing to give all the time necessary to bring out the essential facts. I feel that we have been spending a good deal of time on things that are not material.

Mr. JACOBSON. But inasmuch as the millers have been attacking the farmers.

Mr. McMILLAN. I rise to take exception to that remark. I think it was said that low standards encourage poor farming and high standards encourage good farming.

Mr. POTTER. Representing the farmers of the Northwest which I think can be proven, I would like to ask the gentlemen who has made the statement that a high standard is what is necessary to encourage us and to practically compel us by giving a higher price to raise a better quality of wheat in the Northwest; at the same time he has stated that the standard has been lowering all the time and it was difficult to get the high quality of wheat. Does the gentleman believe that because I can get a few cents more for a high standard wheat that it will enable me to raise it on my farm under the conditions we have to contend with? I think, Mr. Secretary, you are farmer enough to know that the farmer has no control practically over that, and as our country is getting older and we have lost that virgin fertility that raises this high grade wheat that it is not the price we get. Every farmer in the Northwest tries his utmost to raise a high class and good yield of wheat.

The SECRETARY. Mr. Potter, let me ask you if a man can get the same price for wheat containing certain weed seeds that he can get for wheat that does not contain

those weed seeds? Will there be any motive to avoid these weeds if he can get the same price for a poor variety of wheat that he can get for a good variety? Does he have the same incentive to improve his variety?

Mr. POTTER. Well, no; but the majority of our farmers are not trying to avoid raising a poor variety or dirty wheat on that account. We are doing it because it is almost impossible to make a living raising the best he can raise.

The SECRETARY. In your opinion, in establishing grades will the matter of stimulating better varieties, the growth of better varieties, stimulate the production of wheat free from weed seeds be considered?

Mr. POTTER. No; I do not think it should in this connection, on account of the reaction. The reaction would be this: If we are going to be penalized because we do not succeed in improving this quality, we won't raise the wheat.

The SECRETARY. Should there be a price penalty for impure wheat or wheat containing a high percentage of foreign material?

Mr. POTTER. Not unless it is absolutely necessary on account of the real value or the milling value of the wheat.

The SECRETARY. Should there be a price premium for distinctly superior grade of wheat.

Mr. POTTER. It will depend on its value as a milling proposition.

The SECRETARY. Would you buy it on a seller proposition?

Mr. POTTER. Yes; I should. I do not think the farmer should be penalized.

Mr. SULLIVAN. In other words, we take the position that the grades should not be used to discipline the farmer at all.

The SECRETARY. Should they be used to stimulate the growing of a better variety?

Mr. SULLIVAN. No; nor to stimulate; it is purely a matter of something between the buyer and the seller, and the main thing we contend for is a set of grades that can be used out in the country.

Mr. JACOBSON. About two years ago when we met before the Bureau of Markets, they had raised a certain kind of wheat that the West called "Humpback wheat." We requested the Bureau of Markets to lower that quality of wheat, because it did not have the milling value, and we also requested them to raise the Marquis wheat. We requested them to lower the Humpback because we called that No. 3 in the Minnesota grades.

The SECRETARY. Let me ask you the same questions I asked Mr. Potter: In establishing grades of wheat should there be any consideration to the matter of stimulating the growth of better varieties of wheat? Should that be considered? Should we consider also the matter of establishing the grade in such a way as to provide for a lower price for wheat containing a large percentage of foreign material or should they be on a milling basis.

Mr. JACOBSON. Entirely on a milling basis. The foreign materials take care of themselves.

The SECRETARY. One suggestion I want to make to Mr. Potter, and that is relating to the matter or the suggestion rather that an incentive might be held out to the farmer on this weed proposition of lowering the grades because of the fact that there may be some weeds in there. The suggestion I want to make on that that was overlooked by Mr. Potter is this, that regardless of the grade there is always a most strong incentive for the farmer to raise a crop of wheat that is free from weeds because the presence of weeds of any sort cuts down the yield.

Mr. GOETZMANN. There are two points that come out here, Mr. Secretary, with singular strength to me, and that is, first, the confusion of prices and grade. Grade don't make prices. You have asked the question two or three times, if by lowering of the grade the price would be reflected in the wheat that was bought. Absolutely, sir. Second, this question of the statement that was made by the leader of the opposition in reference to making grades that penalize the farmer. Please, Mr. Secretary, do not confuse this matter. We, as millers, come here in an endeavor to maintain grades that will require the farmer that does do a good job and not penalize the other fellow and not penalize him for the benefit of the other fellow. Now, it has been maintained by those millers here that we can take care of ourselves. That is absolutely so, Mr. Secretary. From the first statement that I made that grade does not represent or reflect price, but we are here, Mr. Secretary, to maintain a standard in the Northwest that is going to stimulate our farmers to produce a better wheat and maintain for us the standard that we have on our spring-wheat flour and on our spring wheat. Now, I do not know whether you are acquainted with the situation in the Southwest in the hard wheat territory or not in respect to this matter, but I may tell you that for 20 years the millers, the farmers, the grain men of the Southwest have been working constantly to a higher standard. During that 20 years the effort has been in the

Northwest by the political influences that have been dominating the matter in a downward direction, and our standard to-day is immeasurably below what it was 20 years ago, and what has been the result? Spring-wheat flour 20 years ago would sell at anywhere from a dollar to a dollar and a half a barrel higher than any hard-wheat flour on the market. To-day we can not go into the markets of this country and get 20 cents more without a fight.

Mr. JACOBSON. You still get some.

Mr. GOETZMANN. We get some because we absolutely have to, and it is due to good salesmanship.

Mr. JACOBSON. You mix it with the winter wheat.

Mr. GOETZMANN. Because we have to have it in order to maintain the quantity that we require for the running of our mills. We would not mix one kernel of hard winter wheat with our stuff if we could get the quantity of the red club in our territory to grind.

Mr. JACOBSON. You make a certain kind of a flour for the American people and you make a certain kind of lower grade for the European people?

The SECRETARY. What difference does that make?

Mr. GOETZMANN. I come here representing the millers of the United States. I happen to be the president of the National Millers' Association, and the organizer of and the head of the Spring Wheat Crop Improvement Association, which is a group of, I think I may honestly and earnestly say, patriotic gentlemen throughout the spring-wheat belt that are digging down in their own pockets and digging up \$35,000 a year to endeavor in a helpful way to assist the farmers in raising a better grade of spring wheat, and we are spending that \$35,000 a year, Mr. Secretary, because we saw if we did not do it that the reputation of our spring-wheat flour and of our spring wheat was going, and going very rapidly, and something had to be done to maintain it.

Now, this whole proposition, Mr. Secretary, this whole meeting, is for the purpose of lowering the standards. It is a lowering of the standards, it is a penalizing of the man who produces the better stuff for the benefit of mediocrity. It is labor-unionism, applied to the production of wheat. Now, Mr. Secretary, if there are technicalities in these grades that may be removed for the benefit of the farmer we certainly want these technicalities fixed so that the farmer is not going to suffer. As these gentlemen have said, the interests of the flour miller and the interests of the farmer are as nearly one as it is possible for two interests to be one. Our prosperity is dependent on theirs and their prosperity is dependent on ours. That is a fundamental truth, and I defy anybody to deny it.

Now, I have been asked by Mr. J. H. Stadon, of the North Western Consolidated Milling Co., to read into the records a statement that he has to make on this matter as follows:

Submitted at the hearing on Federal grades held at Washington, D. C., April 27, 1921, by J. H. Stadon, of the Northwestern Consolidated Milling Co., of Minneapolis, Minn.:

Mr. SECRETARY: The agitation which has led up to this meeting is practically the same as that which led up to the hearing in Chicago a little over a year ago. The main difference in this instance is that in addition to the usual adherents to the proposition for a lower standard of Federal grades, we have our Minnesota State Legislature advocating the same changes. We know that the legislature, in response to this comparatively local agitation against the Federal grades, has recently passed a bill directing our joint boards of grain appeals to establish for intrastate business substantially the same grades that were in effect in 1916. So far the reasons for the action of our legislature are perfectly plain, but it is not so clear to our minds why, after passing this piece of local legislation, which endorses the proposition that our standards are the best for the farmer, that it should now go farther and endeavor to force this bit of local legislation on to all the other spring-wheat States through the agency of the United States Department of Agriculture.

In establishing this low set of standards for Minnesota grain our legislature surely felt it was helping the farmer and all other lines of the grain business, and with that certainty it is difficult for us to understand why these low standards are not allowed to speak for themselves in competition with the higher standards of Federal grading system. If these new standards are the best it would take but a short time for them to demonstrate themselves to the extent that other States would take such action as would force the Department of Agriculture to adopt the policy of low standards. In the meantime Minnesota would be enjoying alone the benefits of these low standards. With this in view, it seems contrary to human nature for the legislative body of Minnesota to take this trouble to get all other States in on a good thing which Minnesota has cornered. It is more natural to get the other fellow to participate in the thing we are not so sure of.

There are those of us, however, who are not ready to admit the advisability of low standards in grain. The Minnesota railroad and warehouse commission and the joint boards of grain appeals on the one side has worked since the start of Federal inspection for the lowering of the Federal standards; on the other hand, a large part of the Minnesota grain and milling business has worked for the maintaining of these standards or even higher standards. There has been but little change in expressed opinion since the question first came up; therefore it would seem that the only way of arriving at the demonstrated truth of the matter would be to try out both systems at the same time and let them demonstrate themselves.

The recent action of our legislature has made it mandatory that the 1916 grades be put into effect on intrastate business, and if the present Federal standards are maintained on interstate business an ideal arrangement will be had to demonstrate the virtues of the one or the other in the restricted territory where there has been so much adverse criticism of the Federal grades.

The confidence of the Minneapolis millers in the present Federal grade standards is such that if this dual system of grading is tried, we feel certain that our legislature will repeal the present law and will readopt the Federal standards at its next session.

History has shown that the policy of lowering spring wheat standards has not given satisfaction, for the reason that over a long period of years before Federal grades became operative the Minnesota joint boards of grain appeals had not been able to devise a system of grades that in a year or so were not subject to further modification, and I believe that the joint board honestly tried to arrive at a fair and honest standard of grades. I state again, that under our old Minnesota grading system, one reduction encouraged another.

Please note the modifications made by the Minnesota joint board of grain appeals in the Minnesota grades in the 10 years previous to the adoption of the Federal standards.

In 1907 the standard for No. 1 northern was as follows:

No. 1 northern spring wheat shall be sound, sweet, and clean; may consist of the hard and soft varieties of spring wheat, but must contain a greater percentage of the hard varieties and weigh not less than 57 pounds to the measured bushel.

In 1908 velvet chaff was dignified with a grade of its own.

In 1909 the standard for No. 1 northern was as follows:

No. 1 northern spring wheat shall be sound, sweet, and clean; may consist of the hard and soft varieties of spring wheat and weigh not less than 57 pounds to the measured bushel.

NOTE.—No limit is made to the amount of the soft varieties of spring wheat admitted under this modification.

In 1910 velvet chaff was admitted to the spring wheat grades up to and including No. 2 northern.

In 1911 humpback wheat was admitted to the No. 3 northern grade.

In 1912 velvet chaff was admitted to all spring wheat grades.

In 1913 all grades were unchanged.

In 1914 all grades were unchanged.

In 1915 all grades were unchanged.

In 1916 1 per cent of wild peas was admitted to the No. 1 northern grade; 1 per cent of wild peas with 2 per cent inseparable weed seed was admitted to the No. 2 northern grade; 2 per cent of wild peas with 4 per cent total inseparable weed seed was admitted to the No. 3 grade. There being no limit of wild peas and inseparable weed seed admitted to the No. 4 grade.

In 1917 the first set of Federal grades was established.

History is now endeavoring to repeat itself in the Federal grades. Something like two and a half years ago hearings were held over the country to bring out suggestions for any necessary modifications of the original Federal grades. I believe the Bureau of Markets will bear me out that plenty of modifications were suggested. As a result the grade standards were modified and new standards were established, which mostly affected the spring wheat territory. These modifications did not satisfy all interests; for we have ever since seen influences at work to secure further modifications, which influence resulted in a hearing at Chicago a little over a year ago, the result of which was that the Secretary of Agriculture in a very logical report of his findings refused to make any further changes.

Now if these modifications again under consideration are all adopted, history shows that all interests will not be satisfied. Even the present Federal standards are not satisfactory to many millers and producers. We firmly believe that all interests would be benefited by having them more rigid.

I would like to show how the present Federal standards have helped the spring wheat producers. Under the Minnesota standards the presence of wild peas in wheat had been tolerated to the extent that they had become a menace. At the hearing just

before Federal grades were promulgated, the producers registered a strong protest against proposed penalties applying to wheat containing wild peas. The bureau wisely maintained these severe penalties in the standards which were established later. The result was that much spring wheat that had formerly graded high under the Minnesota standards graded very low under the Federal standards.

At the second Federal hearing particular objection was voiced against the severe penalty imposed by the Federal standards on wheat containing wild peas; still the Federal standards have continued to severely penalize wheat with this objectionable foreign seed. The result of maintaining this high standard has been that wild peas in this short time have been almost eliminated from our wheat and the producer benefited thereby.

Three or four years ago much wheat was being discounted from 5 to 15 cents because of the presence of wild peas. The last two years a decidedly less proportion of our wheat has had to take a lower price for this reason. To my mind, the whole credit for this change can be laid to the Federal grades. The elimination of wild peas in spring wheat has put more money in the pockets of the producers than any amount which is claimed has been lost to them through technicalities in the standards.

Of all the diversified factors in the grain business, the two whose interests are most identical and parallel are the miller and the producer. If the producer has a high quality of wheat to sell, we can pay more for it because we can produce a higher grade of product. If he offers us a low quality of wheat we must discount it, for we must sell the product in a cheaper market. It then follows that a high, rigid set of grading standards, that will encourage the improvement of wheat in many ways, as they already have done in the case of wild peas, is a benefit to the producer and to the miller. This is an age of improvement in quality, and it is axiomatic that quality will not be improved by lowering the standards by which that quality is measured.

In summing up, would say that we are unalterably opposed to your lowering the standard for the grading of spring wheat and continuing the high standard of wheat of other sections. It can only result in the lowering of the quality of the raw material from which we must make our product and compete with the product of winter wheat States where the quality of the raw material is encouraged by the grades toward improvement. We furthermore are opposed to this hearing's resulting in any change in present grades for the reason that only nine days official notice has been given. This is not sufficient time, and we would ask that in the event of another hearing that longer notice be given and a more central location be chosen where the question of whether high or low standards are the better for the producer and all concerned, and where it would be more convenient for all interests affected to attend and express themselves.

Mr. GOETZMANN. In the meantime, Mr. Secretary, as representing these millers of the country we urge you, we implore you, sir, to give us a little more time to call a meeting at some central point, if you please, at Chicago, where all the interests may be represented, and at which time we may take up, not the question of the details of these grades, but this one great big fundamental law that should govern in this matter, and that is whether the producer of this country is more benefited by the high standard or whether he is more benefited by debauching further the grades on wheat of this country. That is all, Mr. Secretary.

Mr. YOUNG. Mr. Secretary, first of all I want to thank you for the great assistance that you have given the Ways and Means Committee in the emergency tariff law. Not only from yourself, but from every division of your department we have had the very best and most generous kind of cooperation. Now, this is not the first time that we have heard from the millers that it is their great desire to see the farmers successful, not the first time that they have assured us that the interest of the millers was tied up in the success of the farmer. Of course, it ought to be. The trouble is that whenever farmers suggest what is of value to them they find that the millers are opposed to their views. In other words, the millers take the position they have stated this morning their great interest in the farmers, but they constitute themselves guardians to say just what is for the best interest of the farmers. They think the Canadian reciprocity would be a splendid thing for the farmers. The farmers do not think so. The millers are now before the Ways and Means Committee urging them in case we put a tariff on wheat that we let them have a drawback in which they will not only be permitted to ship out of the country all the flour that is contained in the wheat that comes from Canada, but an equal amount to cover the flour and the shorts.

In other words, they want to ship out of the United States 100 pounds of flour for every 70 pounds of flour that comes into the country in the shape of wheat, and they think that would be a splendid thing for the farmers and they have told us so. We are rejoiced to find that we have friends that come down to Congress to tell us what

would be good for us. Now, he went on to say that the standards just as we have had them are just the very best and most ideal thing that we can have to promote the interest of the wheat growers. Now, the gentleman that spoke first this morning suggested that the contract, the future contract, is very much against both the interest of the miller and the farmer. Now, we are glad to have that admission upon the part of the millers, but I venture to say that the Chamber of Commerce of Minneapolis can not exist unless they can find buyers, and if the flour millers do not want to do business with them on that kind of a proposition they can stop it. The flour millers can change those future contracts if they want to. Now, if they say they can do it, I hope they will do it, because it is a dead-sure thing. Now, I do not want you to understand that we are lacking in appreciation of the fact that it is an advantage to the United States to have flour mills in our country and running.

We do not shut our eyes to that fact; we do not shut our eyes to the fact that there are men here who are disposed to be fair, although they don't have the right view on this particular question, and I want to express appreciation for Mr. Shanahan for what he did for our delegation when we went to New York to see Mr. Barnes. I feel that he did something that we ought to appreciate, and I am willing to express my own appreciation for what he did at that time. Now, the secretary has asked repeatedly here the kind of standard we want, and ideas have come out repeatedly as to whether it is an advantage to the farmer to compel him to raise a better grade of wheat. We want to get that straight. In the first place this law was never passed with the idea of compelling the farmer to raise better wheat. There is absolutely not one word that indicates that it is the duty of the Secretary of Agriculture to compel or induce or stimulate the grading of better wheat. Not one word. It is made the duty of the Secretary of Agriculture to fix grades that will facilitate the trade. To facilitate the buying and selling of wheat. We want grades that will enable a man in England or anywhere abroad to buy wheat without seeing it on the grade and know what he is getting. Now, in the discussion of these matters here every time it has been shown that the grades are arbitrary, and that small technicalities grade them down, we are told that that is all corrected by this little sample that is set out in the Chamber of Commerce of Minneapolis. If it is graded down to 3 for some slight technicality they will bid up for it. Obviously that only applies to those who can see the samples, but does not apply to a man in Great Britain.

Then again, they say that these propositions are reflected out to the buyer; that if a grade is better on account of some particular thing it will bring more money; and that in the long run it will be reflected out to him. That might be true as to wheat that is sent in in carload lots, but a great deal of the wheat is not sold in carload lots, and if the growing of wheat is discouraged I think you will find the quantity in the United States sold in less than carload lots increasing, because the number of farmers who will grow less than that amount of wheat will constantly increase if the present prices and the present grading methods and the present marketing methods continue. Now, I think you will find, Mr. Secretary, if you will look through these grades and study them—you mentioned that it was a new subject, to some extent, to you—you will find that it is a system of penalties from a to z. From the time you begin to the end of your circular on that subject it shows the reason for which you grade down. I think that they have lost sight of those things that ought to raise the standard. We are not coming in here saying we do not want any standards; we want proper standards; we want correct standards. Now, then, the representatives of the department have overlooked the things that ought to raise the standards. They say, for instance, on the moisture, that 14 per cent is about the limit of wheat that would keep. They do not mean to say that that is the kind they won't buy, because they provide in the other grades it may have 15 and 16. From the very fact that they admit that No. 2 can have 15 and No. 3 can have 16 shows plainly that that is a marketable, commercial wheat, and the thing I object to is this: When it contains only 11 per cent, absolutely no premium is paid; if it has over 14, then there is a penalty; if it has 13 or 12 or 11, there is no corresponding premium. There is simply nothing in these grades in the way of premiums to offset penalties.

The SECRETARY. Then you would take away the penalty instead of adding the premium?

Mr. YOUNG. Well, now, I think it should be adjusted, and properly adjusted, by taking what would be the real average. What they have taken here is this arbitrary 14 per cent. Now, it does not rain at every spot at the same time in the entire Northwest. When we have a rain there, it is a rare thing when it rains everywhere. The showers are more or less local, or they go in streaks. Again, our wheat does not ripen all at the same time, and if we have a general rain, we will say, on the 10th of the month, it may not affect more than a certain portion of the grain, so the wheat does not all have the same amount of moisture. The wheat comes down to

the terminals and is mixed as it goes into the elevators. Now, I think, Mr. Secretary, on this proposition of moisture, not with the idea of degrading or lowering the standards, but just doing ordinary justice to those who have wheat to sell, that you ought to fix upon an average. You have to do either one thing or another; either give them a premium when it is below, or else strike an average in order to get justice, it would seem to me.

The SECRETARY. That would probably result in putting into No. 1 wheat containing less moisture than 14 per cent, wouldn't it, Mr. Young?

Mr. YOUNG. Yes; I think it would; I think it ought to be.

The SECRETARY. You think No. 1 should be higher, so far as moisture is concerned?

Mr. YOUNG. Well, I am perfectly willing for you people to work that out so long as you take into account the fact that some wheat is below the average as well as some above. All you have taken into account is the fact that some wheat contains more than 14 per cent. You have absolutely taken into account nothing as to what contains less than 14.

The SECRETARY. You think that matter of moisture content should be the basis of grade?

Mr. YOUNG. Oh that is just one factor, Mr. Secretary, just one.

The SECRETARY. You think it should be one?

Mr. YOUNG. Yes; yes—I do.

Mr. McMILLAN. What would you think of the suggestion of having—you speak of this wheat of 11 per cent moisture not having a premium—of having another grade, call it anything you want to, which had only 11 or 12 per cent moisture in it, so as to have this premium grade?

Mr. YOUNG. I would be very much opposed to that for the reason that it would make one more grade, and what we want is fewer grades, and not more.

Mr. GOETZMANN. You do believe, however, Mr. Young—I know you do—that this man that does produce this high-grade wheat ought to be rewarded for it, don't you?

Mr. YOUNG. Oh, we have never stood for no grades; what we want is fair grades.

Mr. GOETZMANN. But I want to ask you the specific question: Don't you think the man that produces the high-grade wheat, low-moisture wheat, free from weed seeds, high-grade stuff, ought to be rewarded for it? Don't you think he is entitled to something for his energy and his care?

Mr. YOUNG. Well, now, let me tell you something. We might just as well meet that question now. If you are a farmer in the Northwest you are selling your wheat next year and the next year, for 10 years, and over a period of 10 years you will not suffer on this proposition. It will work out so you will get everything on the law of averages. You will get what you lose in the long run. Now, if you had no other reason on earth than the fact that practically every farmer in the Northwest is hostile on this proposition, you should take that into account. You have a racket practically with every man that has any wheat to sell. You say you want the farmer to keep on growing wheat, and still you are not willing to do anything at all to let him understand that he is being considered in making these grades. He believes he has not be considered, and I do not believe he has.

Mr. GOETZMANN. You have not answered my question, Mr. Young, if you will pardon me.

Mr. YOUNG. Now, I presume that Mr. Sanderson will be put on to show the value of this wheat for milling purposes, and the gentleman who expressed disappointment that there had not been more said about that yesterday will perhaps be able to hear something along that line this morning. Now, on that subject that we had before us last night Mr. Shanahan either did not understand me or something of that kind. He claimed, at least, that I had asked a catch question because I suggested that in mixing, that mixing itself occasioned penalties. Of course, the grades themselves as they are published indicate that the admixture of other kinds of wheat causes degrading. That is true, isn't it?

Mr. SHANAHAN. I do not get it.

Mr. YOUNG. Well, wheats of other classes certain percentages cause the degrading of the wheat.

Mr. SHANAHAN. Yes, they do.

Mr. YOUNG. Naturally it is difficult to handle with the facilities they have out there without the mixing of that wheat, and that was what I had in mind when I suggested, when you stated that they ought to get better buyers to buy the wheat, that I asked you what they were going to do with the wheat when they got it. How are you going to keep these grades separate?

Mr. SHANAHAN. That is just the trouble; he ought to know.

Mr. YOUNG. He can not know if they can not keep it separate. If he knows exactly how to buy the wheat and keep it separate, he knows. That is the great diffi-

culty with this proposition, Mr. Secretary. It is impracticable to my mind. It was made by men who either had not seen the elevators out in the Northwest and did not know what our facilities are and did not understand it, but now we have a good hard-headed Scotchman in here for Secretary of Agriculture that keeps his feet on the ground. I am hoping that we will get a practical system for the grading of grain. Now, it is said of the great Newton, the scientist, that his wife wanted him to build a kennel for the dogs and after a long time he finally did build a kennel for them. He had a big dog and a very little dog. Now, of course, any school boy would know that any hole in that kennel big enough to let in the big dog would also let in the little dog, but Mr. Newton cut a great big hole to let the big dog in and a little hole to let the little dog in.

Now, I do not think we want any more of that kind of scientists working on this proposition, and with this practical Secretary that we have here now who gets down here at 8 o'clock in the morning, and to my knowledge is here up to 10 o'clock at night, because I had a telephone message one night saying: "If Mr. Young comes in phone to Mr. Wallace at the department up to 10 o'clock." With that kind of a Secretary here we are really hoping for something at this time, although we have been disappointed at other times.

The SECRETARY. Let me ask you one or two questions, Mr. Young.

Mr. YOUNG. I want to also urge this, that whatever further hearings you have on this that you have them either to-day or to-morrow or the next day while these men are here, because they will never be back here. They can not come back again. I will venture to say if you fix a hearing in the future that not one-tenth of them will be here. These men here are always ready; they are men who keep books; they keep records. You can see they are loaded. Here is a man over here who is the president of the entire association of the United States. Even without consulting these records he knows every side of this proposition without going into his book. I hope whatever further hearings you have you will have right now.

Mr. GOETZMANN. You spoke about the English buyer of our wheat. You said he wanted to know exactly what he was buying. Do you think that lowering and making indefinite these grades will make it possible for him to know what he is buying. The only thing is this, that you know that you are getting better than the grades on the greater portion of the stuff that comes into Minneapolis, and the man across the ocean does not know that. I do not want to be discourteous, but I am simply saying that when those grades are in front of you they don't mean much of anything. You buy the wheat itself, so you are satisfied when you can buy it that way, but the man over in Great Britain can not buy it that way.

Mr. SULLIVAN. Is it not a practice of the miller to go on the Chamber of Commerce and buy the wheat on a sample that has been graded, that has the tag with the grade on it, and then to appeal after buying it to get a lower grade on it? Isn't that the practice?

Mr. GOETZMANN. Provided it is a line of wheat and is a lower grade.

Mr. SULLIVAN. Answer yes or no.

Mr. GOETZMANN. I decline to answer yes or no. I will answer this question that if in the judgment of the miller buyer who, it seems to me is a better judge of wheat than the inspector who has inspected it that it is a lower grade than is given it there, he could take an appeal on it as is his legal and proper right in any business transaction.

The SECRETARY. I see your point.

Mr. SULLIVAN. That is a very important point. That is why they want these grades technical.

The SECRETARY. Let me ask Mr. Young a question. Are you of the opinion that there should be Federal grades?

Mr. YOUNG. I will answer that this way. If there can not be substantial changes in these grades I would like to see the law repealed.

The SECRETARY. And the Federal grades eliminated altogether?

Mr. YOUNG. I do not regard that as conclusive.

The SECRETARY. Are you of the opinion that moisture content should be one of the important factors in establishing grades?

Mr. YOUNG. Yes, I do; I think so.

The SECRETARY. Do you think that there should be a grade better than our No. 1 now in which the moisture content is limited to 14 per cent that should provide for wheat containing 12 per cent or less moisture content?

Mr. YOUNG. I think you can meet that situation without creating a new grade, and, as I said before, we want fair grades; have them simplified rather than increasing the number of grades.

The SECRETARY. Do you think that in the matter of these foreign materials they should form one of the factors in establishing the grade, or should they be considered as dockage?

Mr. YOUNG. That is one of the points, Mr. Secretary, I am perfectly willing for you to take the facts, the best that you can get, and decide that. I am not qualified myself as an expert on this question of inseparable material. Now, if it is possible for them to get machinery to separate that stuff I think the mills themselves ought to install that machinery. It may cost them money, but in the long run it will be better for them; it will be better for the farmers, because that is one of the most serious problems we have, is the separating of this material. Evidently some of the mills can. As to them, it would be entirely proper to regard that as dockage, find out how much there is, separate it, and let it be no factor in the fixing of the grade.

The SECRETARY. In the case of inseparable material which reduces the yield of flour that should be one of the factors. If the material is inseparable and if it reduces the yield of flour.

Mr. YOUNG. Yes.

The SECRETARY. But in the case of separable material that should be handled as dockage.

Mr. YOUNG. Yes; I think so.

The SECRETARY. Now, I was interested in what you said as to the effect of the grades in stimulating pure wheat or penalizing poor wheat. Your conception of our attitude in that matter is that we should take no account at all in establishing grades; we should take no account of whether our grade establishment will influence the farmer to produce better wheat.

Mr. YOUNG. If there is any one thing on earth that I am convinced about it is that, because in any system, if you go back to the Minnesota system, we want some standard, and any system will be sufficient incentive to any farmer to raise the very best wheat that he can raise. I want to say this: There is nothing on earth that I feel so interested in as this. Away back 17 years ago when I was in the Legislature in North Dakota, the farmers came in to me and said: "Shall we keep this wheat until next summer or sell it now?" When I got over to Bismarck I introduced a bill to have a testing plant put over at the Fargo college just so the farmer could find out the milling value of his wheat. Up to that time there was no such State-owned mill for farmers. The farmers had been raising wheat from the time of Pharaoh and selling it each year without knowing anything about its milling value, and now in recent years getting the results of these milling values from not only the plant there, but the one in Minnesota and Kansas and other places that have been studying this question of grading, and they have very decided notions. They will not be entirely correct in every case but they have studied it so much and the farmers themselves have reached their conclusion to such an extent that I think the Secretary will take into account the fact that if you want to stimulate the production of wheat something ought to be done to encourage them to believe that when they raise it that they can sell it on a grade that is fair to them.

Mr. SULLIVAN. I would like to call on Congressman Steenerson particularly on the proposition of finishing this hearing while we are at it here in Washington, not to be continued to some other time as has been done so frequently before by the miller.

Mr. STEENERSON. Mr. Secretary, I have attended every hearing by the department except one or two in Minneapolis, some of them before the Secretary and some of them before the Bureau of Markets, ever since the year that these grades were established, I have come to the conclusion that, as Mr. Young has pointed out, these grades are framed upon a system of penalties that are unfair to the producer. Take, for instance, the matter of moisture. Say 14 per cent makes No. 1, but if there is one-half of 1 per cent over it is degraded No. 2. Now say that it is 1 per cent, that would only be on a thousand-bushel car, it would only be 10 bushels, and at \$1.50, which is the price now, it would be \$15. Instead of that, according to my home paper—I have the clipping here—there would be a reduction in price of 8 cents between No. 1 and No. 2. That is \$80. Because of this 15 per cent of water that is theoretically in there they penalize the man \$80. And so it is with this wild peas here. If they can be separated, or if anybody had said yesterday that they actually damage the flour so that it is unsalable, or something of that kind, but so far as foreign material is concerned by degrading it you lose from 4 to 12 cents. Now I just got this from my home paper in Crookston, and I will say that I live in the Red River Valley of Minnesota, the greatest hard wheat producing part of the United States, and I have myself been engaged in raising wheat in the Red River Valley for 40 years; that is, I have the farm. I have not done the farm work myself. I have been practicing law most of the time but I have marketed wheat at the elevator and have shipped wheat to Minneapolis and shipped it before there was any State grades. Originally the chamber of commerce graded the wheat, and the cry went up every year just as it does now against the Federal grades, and there was an agitation constantly; it was a part of the campaign; there was a constant agitation.

When Knute Nelson became governor he established the State inspection and State weighing system, and whatever has been hinted here by some of these men, I have lived right there and been in politics, and I say to you that during the 20 years before these Federal grades came in the question of grain grades and inspection was taken out of politics. Now, then, I want to say another thing. Of course, I realize that men in matters of judgment are swayed by the point of view of their avocation. They are prejudiced, so to speak, and it is perfectly proper for the Secretary or any one of these gentlemen opposing these changes to ask this question about whether we favor Federal standards, Federal grades. I want to tell the Secretary the origin of that. That was started in every hearing by the opponents of the farmers; that is, those that took the other side of the question, the millers and the grain men. They all hinted or urged that the opposition was due to the theory that we were opposed to Federal inspection. Now, the history of that matter is this: There was some dissatisfaction in North Dakota and some in South Dakota about the State of Minnesota inspection. They seemed to think that we were regulating their affairs, and the markets being there, they started an agitation for Federal grades. The demand for Federal grades came from North Dakota, and Senator McCumber, the first man to introduce a bill, and when it came to the Congress, of course, representing a farming constituency, if they were opposed to Federal grades, I would have voted against it, but my best information was that most farmers throughout the United States and in my district favored Federal grades, so that the only opposition that came before committees of Congress was the opposition of the State of Minnesota Grain Inspection Organization. The Railroad and Warehouse Commission, Mr. Jacobson, did come down here representing the State authorities opposing the legislation on the theory that we had for 20 years built up a successful and satisfactory system under the State laws and he was afraid that the Federal system might not be as good.

Now, that is the truth of it, and when the Federal grades were established, Mr. Jacobson, like the rest of us, said: "Well, although we thought that, if you can make the grades workable and practical, we are not opposed to them on principle." Mr. Jacobson is not a States rights man; he would be perfectly willing to have Federal grades provided they were just and fair and operated justly. Now, when these questions are proposed to every man that comes up here, "Are you in favor of Federal grain inspection?" that question was, I think, brought up, and every Congressman from Minnesota voted for it. Everybody thought as long as they did not have it they wanted it. The idea was good. After they got it, it became very unpopular, and now, of course, if you ask a man "Are you in favor of Federal grades," he naturally says: "Not the grades that we have now, but if we can get reasonable grades we would favor it." We are not here opposing the present grades or asking for a modification, because we are against Federal system of grades. We are the originators; these three States are the originators, introduced the first bills 10, 12, 14, or 15 years ago to establish this system, so it is not fair to charge us with being prejudiced against these and therefore not fair judges of its operations. Why, the theory of some department representatives that I talk with and some of the millers and elevator men seems to be that we would oppose any kind of Federal grades because we are States rights people and want the States to have all this business themselves. Now, that is not true. We started out as favorable to this proposition as any human being could be; we were hungering for it; we were wishing for it. It was only when we got it and tried it on that we did not feel satisfied. So that this question about whether we favor States grades as a general really has not any bearing. We are all in favor; it is only the abuse that we object to.

The SECRETARY. Now you have tried it, as you say, you all favored it to start with. Now, you have tried it, do you still have the question of States rights? Do you still think that the Federal system of grading is preferable?

Mr. STEENERSON. If it could be made satisfactory; yes. And Congress was very careful in providing this system. They did not suppose that the rules and regulations of the Secretary of Agriculture under this law would be like the laws of the Medes and Persians, not to be changed because they provided themselves that they should be changed, but they should not be changed without 90 days' notice after the change has been decided on. Of course, we have had that demonstrated. We have had 90 days' notice and six months. The first notice they would consider changes, and then notice of what little change had been made according to law, of course. Now, I do not want to go into the details. Other men have done that better than I can do, but I want to say one word about the matter that came up when Mr. Shanahan testified. Mr. McGovern, as a closing remark, said that the grades appeared to be as if they were made for millers and by millers, and I made the remark then that that is just exactly what the representatives of the department had defended the grades on, that they were satisfactory to the grain trade. Now, I do not mean to change the representatives of the department or any official with any dishonesty or any corruption of that kind,

but that is their point of view. They were undoubtedly doing what they thought was right, but they were wrong.

Now, to prove that they were wrong, it is a great satisfaction to me that Mr. Shanahan was on the stand and appeared here because I never knew before who the real author of these grain grades and standards was. Now we know; we don't have to suspect or guess from what Mr. Brand stated before the committee that they were made after consultation with the grain trade; we know that he made them; he says so. There was no question about it; he was an officer of this department, and he says, and I have no doubt he believed he made the grades in the interest of all; he was honest; he intended to do it, but he had a different point of view, and, of course, at that time there had been no dispute as to the grades, because the grades did not exist. The dispute as to these grades and their application in practice has existed since the grades were made. Now, what is more natural than the fact that the father of these grades should have that pride and paternal joy which is natural to everybody to defend them, right or wrong. That is human nature, and, of course, he does it. And now, how did he defend them? He has stated here before the Secretary and before this audience that he made these grades in the interest of everybody, to be fair to everybody, and when somebody mentions the millers he says that the miller is a friend of the farmer, and I have it right down here in my pencil notes; his interest is the same as the farmers. Now, a man with that point of view, who was justified in taking that point of view at that time because this dispute had not arisen; he had that idea as everybody else; they don't come in touch with the farmers; a man comes in there and all the atmosphere that surrounds the man that inspects and handles the grain is the point of view of the grain trade. Therefore they believe and he believed that the interest of the farmer and the grain men and the millers were the same. Since that time it has developed that there is a division of opinion about these grades between the farmer and the department and the millers.

(Newspaper clipping presented for insertion in the record by Congressman Steenerson.)

[Crookston Times.]

LOCAL GRAIN MARKETS.

Wheat, No. 1 dark northern.....	\$1. 29	No. 1 amber durum.....	\$1. 24
Wheat, No. 1 northern.....	1. 21	Wheat, No. 1 durum.....	1. 20
Wheat, No. 2 northern.....	1. 13	Wheat, No. 2 durum.....	1. 18
Wheat, No. 3 northern.....	1. 07	Wheat, No. 3 durum.....	1. 11

Now, then, who is right and who is entitled to consideration? Is it the farmer or is it the miller in this matter? Now, let us see. The Secretary was kind enough to show me at my request the telegrams that came in here yesterday from Portland, Oreg., asking that this hearing on red spring wheat, hard spring wheat should be postponed until they could be here. Why, they would not know hard spring wheat from barley over there; they raise soft wheat.

Mr. MCMLIAN. They raise hard wheat.

Mr. STEENERSON. That should be taken figuratively. I hope these gentlemen will bear with me. I do not want to be interrupted. I was simply saying that as a hyperbole. They do not know anything about red spring; they are not interested in it; yet they telegraph the Secretary to postpone the hearing until they can be here, and upon what ground? In the interest of the farmer? They are the philanthropists that will lift the farmer out of the slough of depression by having these grades fixed as they don't want them, and that is the tone of the telegrams. I know; I have received in the last two or three years letters, correspondence from almost everyone of these men on this matter of coming before Congress. I know their names, all of these mills that are in those telegrams. If you will reread those telegrams and notice that not one of them is appealing to the Secretary to protect the miller; oh, no; they want protection for the farmer, and they say they know it will injure the farmer. And the question recurs here, Who are the best judges of the farmer's interests—the millers, the speculators, and the elevator men or the farmers themselves?

Now, the farmers may not know so very much, but here in this case they are fortified by some pretty intelligent men. Here is Mr. Potter, the president of the Minnesota Farm Bureau; he is a farmer, recognized all over the United States as an authority on farming. Isn't it fair to say that he is prepared to know the interest of the farmer when he is running an elevator and trying to operate under these grades. Here is Mr. Pendixen, a farmer for 25 or 30 years. Does he know enough to know his own interest? Here is Senator Sageng, an actual farmer who has handled wheat, sold wheat, shipped wheat, and been in the senate for a great many years. Is not he a

pretty fair judge of the best interests of the farmer? Would he be here if he thought this was a fictitious issue, and that the miller really was right or that it was for the benefit of the farmer to have these grades unmodified? And here are the professors; here is a professor in an agricultural college who is in charge of inspection in North Dakota; here is Dr. Ladd, the United States Senator, who was here yesterday, and in harmony with the proposition that we advocate. And aside from all these, I will not mention the Railroad and Warehouse Commission of Minnesota, and the two States, because, as I have said, there seems to be an idea among some that they are prejudiced because they want more power in the States; but here are the Congressmen. Does anybody suppose that Mr. Young, of North Dakota, does not really believe what he says? He has had experience in farming and legislated for farmers for 25 years. Now, does he know enough to know their interest, or does he not? Is the miller and the elevator man and the speculator, whether from Buffalo or anywhere else, a better judge of what is practically best for the farmer?

Now, it seems to me that is the question here. We have been before the Secretary of Agriculture so many times; we have had it up before the committees of Congress on the proposition to take away the grain-grading authority from the Secretary's office and leave it in another body. I have heard another theory advanced that the farmers don't know their own interest. Now, it is not going to hurt them any to have these modifications. If so, let them show it up wherein they are going to lose money, but don't let them come in here and represent the farmer and say he is going to lose money, because the farmer is here represented so nobody can question, and it is not a sporadic case; it is a continuous struggle for nearly four years to have these grades modified. And it seems to me that in view of the new matters that have been brought up here; in view of the fact that the man that made these grades thought that at the time that when he served the miller he also served the farmer, and he was the dominating spirit in the making of these grades; in view of that fact, which was probably true at that time, true because this division had not occurred. Now, then, since this division of opinion between the farmers and the millers has occurred we appeal to the authorities in behalf of the farmers because he is the producer; God knows he has a hard time now; the price has been cut in two and everything that he buys almost is as dear as ever. The farmers feel kindly toward this administration. They all speak of the wonderful speech that President Harding made at the fair; you have heard it mentioned here; and they feel heartened by the friendly attitude of this administration, and the expressions of the Secretary of Agriculture in their behalf, and they feel confident that if the authorities can only see these things in the right light, that they will have relief. It can not be possible that the millers understand this better than the farmers themselves. And it is also brought out here that the farmer, the small farmer, a great number of the majority has to sell his wheat at the local elevator, the same as I now do, although I formerly shipped in carload lots.

Those little farmers are the victims of these arbitrary grades because it has been brought out here that the man who ships in carloads, if he has a good honest representative of the board of trade, he can sell his wheat by sample and it don't make much difference what the grades are. You can sell No. 3 at No. 1 prices provided you have the right judgment. I have spent a great many days on the board of trade in Minneapolis and watched these samples and these buyers. They know how to test grain; they can test it to the finest point. They can have a reinspection chemically and everything, but the farmer can not do that. So that the buyers in the terminal markets can protect themselves, but the farmer, as has been explained here, is at the mercy of the elevator man and these grades and rules operating against him. They operate in favor of the man that does not need help because he can help himself. We therefore with confidence look forth to a change in these grades. Now, it may be suggested, I think it has been suggested that the department has already passed on this, but if you will read Mr. Secretary Meredith's decision, if it may be so called, it is based on the theory that the time has not yet arrived to consider these changes. He says that they had only been tested under war-time conditions. The hearings was held in 1920; the Grain Corporation, the Federal Government was still in the grain business in 1920. The 1919 crop was handled in part by the United States Grain Corporation. The new crop did not come in until late in the summer so that when that hearing was held it was true that the Federal Government was in the grain business, and that it was not normal conditions. Therefore, Secretary Meredith suggests that the time to take this up is after these grades have had a test in normal times. They have now had a year's test under normal times, and here are the men who have told you the results. So it is not res adjudicata of that question.

The SECRETARY. Do you think the determination of moisture content should be one of the principal factors in establishing grade.

MR. STEENERSON. I am not professing to be an expert; I believe that is should, but I believe the position of the Minnesota experts here is justifiable, that you should have a reasonably high moisture test for No. 1, 15 per cent, because 15 per cent allows the wheat to be stored. If it is permissible to have 15 per cent in the lower grades for a very much stronger reason it should be permitted in No. 1. Not because for any other reason except that it will keep. The object of having a limit on the moisture is that it shall not have such a large moisture content as it will not keep in ordinary storage that people who handle it should be put on their guard. Therefore, I believe that 15 per cent maximum is wise. I believe, however, if it be practicable, I make the suggestion which just occurs to me at the time, that if as has been stated by some one that where there is more than 15 per cent, you still call it No. 1 if it has all the requisites of No. 1, plump, heavy, and all that, good color, good wheat color, healthy color, then they say still call it No. 1 damp. That is a suggestion that appeals to me to bring forth justice because the buyer then knows it is good wheat, but it is damp. Now, on that same principle my suggestion would be, I do not know whether it is practical or not, where it is extraordinary dry, 12 per cent, mark it No. 1 dry, so that the man would have an incentive to bid a little higher. The man on the sample table when he buys this 12 per cent wheat pays 2 or 3 cents more. Now, for the man buying on grade, that might help, I do not know.

The SECRETARY. How would that work in the case of the English buyers to whom Mr. Young referred, to say this is No. 1 dry. How dry?

Mr. STEENERSON. Oh, well, it would be drier than the requisite.

The SECRETARY. But how could he buy on grade if you have no determinable way?

Mr. STEENERSON. You could state the extent of the excess moisture.

The SECRETARY. That is the point I asked you, whether the determined moisture should be a part of the grade.

Mr. STEENERSON. My judgment is not worth much on that; I would leave it to these other men.

The SECRETARY. Are you familiar with the grading of butter in Minnesota?

Mr. STEENERSON. Our butter interests are rather young in the Red River Valley.

The SECRETARY. Do you think it is to the advantage of the farmer that so far as possible these grades should be standardized so that they are determined by measures and percentages rather than by judgment?

Mr. STEENERSON. Well, no; I think there should be some latitude of judgment. That is the trouble with these grades. They are too technical, too numerous, too great technicalities, and too great penalties. For instance, this man that lost 43 cents; on a carload he lost \$430 because there was 3 per cent or 5 per cent of foreign material.

The SECRETARY. If you determine it by judgment, then isn't it more difficult to the man at a distance to buy on grade, and the greater the amount of judgment allowed, the more difficult it becomes.

Mr. STEENERSON. Theoretically that is correct, but practically it is not, because these modifications we want are intended to help the farmer, and when that wheat goes to Minneapolis or Duluth, before it is exported to London or to Liverpool, before it reaches the foreign buyer, it has been so manipulated as to have exactly the amount of rye or the amount of moisture that is required. They will take that 12 per cent wheat and mix it with 15 per cent moisture wheat and that will produce the exact amount of moisture that is permissible, and that is what the foreigner buys; he does not buy from the farmer; it all goes through the middleman and they want to reap the big benefit.

The SECRETARY. You think it is to the advantage of the farmer that that should continue?

Mr. STEENERSON. That that should continue?

The SECRETARY. That that wide latitude should be allowed which permits terminal men to mix.

Mr. STEENERSON. Well, you can not prevent that; it is impossible. Now, they talk here about educating the buyers. Of course, that is impracticable. You might as well try to make the ordinary person understand these grades, look at that table there and understand all these rules and regulations. It would be just as probable for Congress to appropriate money to send people to the county fairs to explain the Einstein theory of relativity, because it can not be done.

Those that are interested in the grades will find out by experience, and these teachers sent out would absolutely do no good. It seems to me that the farmer would be benefited; I know they would be benefited because there would not be such an absolute rule. For instance, here is a man that has an elevator. Now, here are three men, here is Mr. Jacobson and Mr. Murphy and each has a lot of wheat. He finds that Mr. Jacobson's wheat has 12 per cent moisture. The requisite is 14. The next man's wheat is 13; the next one 15. Mix those three together and he will

get No. 1 without any question. But under the present system he can not give those that fall below and he proves it to them because it only allows 14. Now, that latitude will enable him to mix it in his country elevator. As far as that is concerned he can leave it in the car and put enough dry wheat into it so it will pass in Minneapolis. It will enable the country buyer to take advantage somewhat of the point that the terminal man now takes advantage of. And I believe that it will operate to the interest of the farmer. I raise wheat every year and I am thoroughly convinced that these changes we want are in our interest.

Mr. MAGNUS JOHNSON. I represent the Equity Cooperative Grain Exchange of St. Paul, and we have about 21,000 stockholders, 18 country elevators, and a terminal elevator in St. Paul. I plead guilty to advocating Federal grades for months and months in the Northwest. I have been in the game for the last 12 years organizing the farmers, and in connection with that, I say organizing the farmers, I want you to know that in the city of St. Paul is a group of farmers out there organizing a commission firm. The reason I mention this to you is to show you that the propaganda or agitation that we have been spreading in the Northwest is bearing fruit and that we are going ahead.

Now, we are vitally interested in anything that is going to help the farmers, and there is nothing that I really feel so glad and satisfied over, Mr. Secretary, than to the millers and the grain men represented here. I know they try to do justice to the farmer, but in all my fight as vice president of the Equity Exchange, I want to say to you that I am mighty suspicious about these men in their business. We are trying to get the best for the farmers and now, for instance, these samples here, I have seen them do that in a great many meetings, and the Secretary knows without me telling you that the injustices in these different grades, and before I sit down I just want to say one thing. I could talk for hours and hours, but I just want to say this. What the grain elevators want and the grain men and these millers, they want to get in the grain as low as possible and mix them out. The records in the State of Minnesota show you, Mr. Secretary, that more No. 1 goes out than No. 1 taken in. That is all I have to say to you now because the time is limited. We are going to fight to a finish. I fought for Federal grades and we got Federal grades, and we got them in the neck and that is the reason why we want to have modifications of these grain grades.

The SECRETARY. Let me ask you a question. You speak of the mixing, the wider the grade the more easy it is to mix, isn't it?

Mr. JOHNSON. Yes, of course it is; yes, I admit that.

The SECRETARY. Do you think moisture content should be one of the principal factors in establishing a grade?

Mr. JOHNSON. That moisture business, I think, is all bosh because they are not afraid of a little bit of excessive moisture at all, and on the legislative committee that met Dr. Brand in the Chamber of Commerce Building in Minneapolis I put a dozen questions to that gentleman and he answered all except one. I asked him, now what does it cost when we talk about the prices and so on, what does it cost the elevator man to run three wheat in that elevator from getting low grades, even three and four and rejected to get them up in high grades. He says it costs approximately at that time about three-quarters per cent. So it pays them. Now, I said, what is the different prices on these different grades? While he was not exactly in a position to mention that, so I do not think that that makes much difference any way because they take out moisture by running the wheat. Now, we talk about color here. Now, we put wheat in the bin for about two months and take it out and the color is changed.

The SECRETARY. Where do you sell that wheat from your equity organization?

Mr. JOHNSON. Now, most of our wheat goes to Duluth or Superior.

The SECRETARY. How do you sell it, on what grade?

Mr. JOHNSON. Well, of course, I am not familiar because I have the job of organization, and as vice president I am only in the office a little bit of the time, you understand.

The SECRETARY. Is there anyone here from your organization?

Mr. JOHNSON. No; only we have a buyer here from Eddie Adamson people that probably will know what grades we get.

The SECRETARY. When you sell your wheat do you sell on a moisture content?

Mr. JOHNSON. Well, I am not prepared to say exactly how we sell because we sell ten millions of bushels every year. Now, the durum wheat goes to Superior and Duluth.

The SECRETARY. Do you think there should be Federal grades, or that the Federal grades should be continued?

Mr. JOHNSON. Well, I was hollering my head off for Federal grades, and I believe that the Federal grades probably would be all right if they would be applied right,

Mr. I think that the other side, the difference in the setting it should call attention to that there was a little or no intent to set what Mr. Sanderson said. In fact you Livingston had a few of those other prominent men similar to him I mean. Of course I am not now in that last the meeting that we should know them afterwards. I realize that the distance away from Minnesota you come with having the intent it is to get these changes but there is a intent now in my mind the something is going to be done and that is the reason you see these men here because they know that are members of the association.

Mr. STANDEEN I would like to introduce Senator Cummings from Minnesota.

Mr. CUMMING I would like to come before you all because I have interest in the Red River Valley for 4 years. I have travel where and engaged in the business I believe every year of the 4 years. In all that time in all my experience I have never known of much dissatisfaction as I have in the last two years as we have experienced in regard to the grading of the wheat. We had some trouble under the Minnesota system we can not say that there were all satisfactory, but yet I was a great advocate of dissatisfaction with the Minnesota grades compared to what the dissatisfaction that went on this year. There was a statement made here yesterday in regard to the last time we were not able to procure a good wheat because the same had been mixed. Now I want to repeat that statement. The fact is that our very best wheat during the last two years has travelled the world over because we were either with the packers that day the market for our the wheat the crop had more a sufficient number of the packers that. Now as regards the Minnesota proposition I believe that we might consider safer. I have been in favor of the Federal grades over the state and I have considered this with dissatisfaction the Federal grade could be highly a profitable commodity.

The SECRETARY In your mind the determinate moisture content should be a basic standard.

Mr. CUMMING It should be a factor I believe the factor, up to the amount of determine what grain will keep.

The SECRETARY In your mind there should be a difference in price between the wheat and the white.

Mr. CUMMING Well I think is possible. However it might be difficult to make the prices so low the amount could be profitably determined.

The SECRETARY In your mind there should be a difference between wheat containing 15 percent moisture and 16 percent.

Mr. CUMMING Yes I believe I should. However I would be afraid of setting the standard so high an impossible standard because of the fact that there would be a certain amount of wheat in which we would never attain. We would never have that wheat of account at its weight of 16 percent.

The SECRETARY In your mind I work is to the advantage of the market in making these standards of wheat them.

Mr. CUMMING I believe it would be to the advantage of the market to have lower standards. I also represent the milling interests and six of the seven of directors and I have talked with our farmers in the exchanges to me the difficulty in computing or finding under the Federal standard.

The SECRETARY When you talk of the determinate moisture content yourself?

Mr. CUMMING No we have in mind a determinate moisture content. Our idea was established over two years ago and if that time we have had little difficulty we have had very little difficulty with excessive moisture.

Mr. STANDEEN I would like to call Mr. Sanderson in charge of the North Dakota milling section as spokesman.

Mr. SANDERSON This question has been covered so thoroughly. Mr. Secretary in these two days previous but that for me to go into the details would simply add to the record.

The SECRETARY It is the details I want Mr. Sanderson. It has been covered very well. You do not as I realize. In your mind the Federal system of grading is a definite system or would you be agree with it?

Mr. SANDERSON In the market in North Dakota would any other from the midwestern states to the Minneapolis market or any other terminal market in question not do we believe that a large part of these terminals would be there.

The SECRETARY That is not answering the question. In your mind the Federal system should be maintained or should we the one I can?

Mr. SANDERSON I we can have a system of grading that will satisfy all the local grower. I would say this we would have the Federal system.

The SECRETARY In your mind determinate moisture content should be a basic for grading?

Mr. SANDERSON. If wheat that would grade No. 1, or any grade, probably coming up to the grade qualifications in every other respect, and the moisture is made a factor at all, I believe that the farmer or producer of wheat is entitled to a premium below what might be placed as a standard as well as he would be entitled to a penalty above that point.

The SECRETARY. Then you think it should not be a factor?

Mr. SANDERSON. No; not to be definitely determined, because if I was running a line of elevators and hired wheat buyers to buy that wheat I would not want to keep a man in my employ that could not tell when he felt that wheat, whether or not it was too damp to store. Now, then, I would require him to be judge enough of wheat to do that without putting it through the machines.

The SECRETARY. Do you think it is an advantage to the farmer that grades should be established—determinable grades, by percentages or weights or measures—or just depend on a matter of judgment of the man who buys?

Mr. SANDERSON. It would be to the interest of the farmer to have grades specified as long as we are a seller of wheat at export, because the foreign buyer has no other guide to tell him what that wheat is, only our grade specification, and if our wheat is all delivered up to the grade specification there is not anything in our wheat that can not be specified, so that even this foreign material can be designated on the grade certificate, and the foreign buyer may know just what he may expect to get in his grade. We are an exporting nation of wheat and it is necessary, and before the Federal standards were adopted the foreign buyer of our wheat never knew what he was going to get, although we had a grading system, but it was not uniformly in force. For instance, wheat coming into Minneapolis or Duluth had to stand a rigid inspection. After it got in there it was inspected out under a far more lenient inspection; so much so that the amount of No. 1 and No. 2 was usually increased above the point of inspection, notwithstanding the fact that that is a big milling center, and they claimed that they were taking out all of that grade of wheat and milling it, and sending the lower grades on. Now, then, how did they get this No. 1 and No. 2 wheat?

The SECRETARY. That being the case, it is to the advantage of the farmer, is it not, that the grades should be brought to the narrowest practical point of determination at the terminal elevator?

Mr. SANDERSON. To the lowest practical point.

The SECRETARY. And not widened, as you propose to do?

Mr. SANDERSON. Yes; I would say that we are not widening the grade specifications dangerously, as far as the farmer is concerned.

The SECRETARY. Well, I may have a misunderstanding of just what you are asking.

Mr. SANDERSON. What we have asked for there is about the maximum of what would be practical and yet above the maximum of what would be practical. Here is what we are up against—the number of bins in the average elevator; that is what we are up against. Now, this gentleman over here this morning spoke about our debauching the grades. We can not help ourselves of debauching the grade of our wheat going out—that is, the actual grade that our wheat will take when it goes to the terminal market. We can not keep them separate.

The SECRETARY. Yet it is to the advantage of the farmer to have the grade as narrow as possible?

Mr. SANDERSON. As narrow as we can apply it.

Mr. SULLIVAN. What would you say about the lowering of the test weight one point in each grade?

Mr. SANDERSON. As to the actual value of the test weight per bushel, it is the truest factor, I think, that we have. However, if you are to take but one sample of each test weight from 65 down to the lowest possible point that we could have wheat, and mill but one sample, you would find the per cent of flour obtained would vary—that is, you might have a sample of wheat that had 60-pound test weight produce a higher per cent of good flour than the sample of wheat that weighed 62 pounds or 61 pounds. You might have a sample of wheat that weighed 62 pounds that would make more flour than a sample weighing 64 pounds, and so on, but if you take 10 samples from different localities—and those localities need not be very widely separated either—in the normal year, you would find that on the average the per cent of flour would vary with the lowering of the test weight, and of course from that point of view the test weight per bushel is an indication of the per cent of flour that we may expect to get on the average but not in the individual sample.

Mr. PALMER. Where would you get the best quality of flour, Mr. Sanderson?

Mr. SANDERSON. From my experience in the experimental mill—and I might say here for the benefit of the gentlemen present that appear to be on the opposition that our results at the experimental mill had been created and taken at par in the upper

grades, or the wheat having a higher test weight per bushel, but when it comes to the lower test weight per bushel, then they discredit our figures, so that to answer Mr. Palmer's question I will say that since 1909 or 1908, when we first started to test wheat experimentally, that we have found the wheat that will give the all-round best baking results is wheat between about 54 and 58 pounds, taking every factor that we use for the determination of quality into account.

Mr. SHANAHAN. Does that include volume of flour.

Mr. SANDERSON. Mr. Shanahan, you know that we have turned in many reports of wheat weighing 55 and 56 and 57 pounds producing a per cent of flour equal to and sometimes greater than wheat in the same class having 60 pounds.

Mr. McMILLAN. You speak of certain instances where wheat weighing 62 pound would not give as much flour as wheat weighing 58 pounds. In these two wheats you are comparing are they the same variety of wheat and the same moisture content?

Mr. SANDERSON. Absolutely.

The SECRETARY. Here you have a car of No. 1 wheat containing 14 per cent moisture and free from foreign matter. One sample weighs 62 pounds, another 58, will you get as much flour out of the 58 as the 62?

Mr. SANDERSON. Sometimes.

The SECRETARY. If it weighs 52 pounds and 62 pounds, will you get as much out of the 52 as the 62? Where is the point at which you break?

Mr. SANDERSON. You could divide the wheat by test weight on the even pound, and if you milled 10 samples of wheat being within that pound test weight you would have a varying per cent of flour in the 10 samples. On the average the per cent of flour would gradually decrease with the test weight per bushel.

Mr. JACOBSON. Isn't it a fact that some 55, 56, and 57 pound; take the hard wheat, bluestem, for instance, will produce better flour than bluestem sometimes weighing 58 and 59.

Mr. SANDERSON. Absolutely better bread.

Mr. JACOBSON. Isn't it also a fact that a great deal of the hard wheat is grown on sandy land and may produce really better wheat sometimes than bluestem that has been grown on rich soil on account of the hardness?

Mr. SANDERSON. Well, I do not know, Mr. Jacobson. I do not believe I get your point.

The SECRETARY. I do not know as that pertains to it.

Mr. SULLIVAN. I do not imagine that you will permit this hearing to be closed knowing that the secretary of agriculture of Minnesota is present, and I would like to introduce Mr. N. J. Holmberg.

Mr. HOLMBERG. Mr. Secretary, I do not wish to prolong this hearing at all—I simply want to add in addition to what these gentlemen have said that I do not believe there is anything sacred about these grades. That is the understanding that we have in the Northwest, that they can be changed from time to time as experience will demonstrate, will be wise both for the producer and the miller. I do not believe the farmers of the Northwest want anything that is unfair or that will work to the disadvantage of either the trade or the miller. We appreciate that we have to work together to a certain extent, but all we are asking is to get consideration of the problem that we are up against. We have in our State just perfected or are perfecting a flour mill of commercial size; I think it is about 125-barrel mill, to test out some of these various disputes that are coming up continuously between the producer and the miller, and I wish at this time to extend an invitation to the Department of Agriculture to send a representation, if they wish, to help us conduct experiments and try to get at the truth of this matter. All we are interested in is to get at the facts, and if the department is interested I wish to extend that invitation to the Secretary at this time so we may be able to work out a system of grading which shall be as nearly fair to the producer and the miller alike.

The SECRETARY. Do you favor these proposed changes?

Mr. HOLMBERG. I do.

The SECRETARY. Do you think the producer would be better off if we made the change according to this plan?

Mr. HOLMBERG. I think the present standards are too stiff in many respects, and in this question of moisture my personal position is that I do not believe that the moisture should be a factor only as a guide to the warehousing of the grain itself.

Mr. SULLIVAN. We understand that the hearing is to be closed now.

The SECRETARY. Is there anything to be gained by further hearings?

Mr. SULLIVAN. No, I think not, but there is a request for a continuance that I understand will not be granted.

The SECRETARY. Well, I am not saying that I am closing the consideration of this whole matter; not by any means; it is too important to close with this hearing. I

am not saying either whether I shall hold a general hearing somewhere in the Northwest. I have not determined either of those matters.

Mr. SULLIVAN. Well, the only thing we have to say about that is that unless we can get a decision before the new crop then we are out of court; we are through.

The SECRETARY. Well, in that case I understand you would go on your own grades.

Mr. SULLIVAN. That is the point exactly. That is the position you take if you get down to the final analysis of this thing.

The SECRETARY. Well, of course, it is an obvious position. Your general assembly has passed certain resolutions here.

Mr. MURPHY. In that regard there are other interests than just Minnesota at stake here, and if we are going to have Federal grades I do not think we need the State system of grading. In the event we are going to be compelled to operate under both systems there are undoubtedly some serious conflicts ahead of us and the results will not in my judgment be to the interest of any one engaged in agriculture as an industry, particularly wheat, and for that reason it would appeal to me that the big thing to do is to establish grades that will be as nearly satisfactory as possible, not only to any one element, the millers, for instance, certainly not the elevator men, and not entirely to the producer, but the producer has always been dissatisfied with these technical things and has wanted some relief and has not got it. He had nothing to say particularly in the formation of the grades, and if you could give him some little consideration at this time we will do away with that conflict that is bound to arise and be injurious to the whole business, and that is one of the things that appeals to me should be done at this time. Now, it necessarily follows that any change must have notice of 90 days, and if you postpone this matter, put it over here and are not able to give the 90 days' notice before the crop moves, that will not make the change so that it will come into the middle of the crop.

Consequently in my mind it is absolutely essential that this decision be reached, and be reached very quickly, so that these hearings, this talk of the millers that they want to be heard, they want to show up this level of prices; they want to show up how it is going to affect the farmer and the miller. In my mind there is a record here in this office on all these matters. These people have not appeared here for years without presenting practically every angle, and why a further hearing will give us a better basis for a decision in the matter I can not see. It is an emergency proposition, and must be handled quickly, and personally I hope that there will not be a continuation of these hearings.

Mr. STEENERSON. I fully agree with Mr. Murphy's statement; I think the Secretary should dispose of this matter even if he postpones this hearing a few days: these gentlemen are here; they can come over here and the matter should be disposed of. Otherwise it amounts to a denial of relief.

Mr. SULLIVAN. Further, in that respect, this is the first time I have appeared at one of these hearings, but I have seen, Congressman Steenerson, that the tactics presented at this hearing with reference to a continuance are exactly the same that have been used in prior hearings to do just this very same thing. Nobody has given a good reason for a continuance. If this had been a case in court the court would say: "You haven't presented the slightest reason for a continuance."

The SECRETARY. This hearing has dealt with simply the general phase of the matter. It has been made perfectly plain that the producers are dissatisfied with these grades, but when I ask the representatives of the producers questions not half of them can answer without pertaining to the technicalities of the grade. Now, I can see the necessity of representatives of the producers who are qualified to do it going into consultation with our experts and continue that for two or three days, as long as you are getting anywhere, but I see no advantage at all of hearings, this particular hearing, where we are getting nowhere, you see.

Mr. SULLIVAN. I realize that, and I see no advantage of the millers coming in on an economic proposition to show that the lowering of the grades will lower the price. They have not offered to show anything that is pertinent to the issue before you.

The SECRETARY. That is pertinent to it, Senator. If a readjustment of the grades is reflected in the price, that is a matter of very great importance.

Mr. SULLIVAN. That is just as certain as the night follows the day. For instance, if you lower the milling value of the grade it will certainly be reflected in the price. We don't deny that that is an economic law.

Mr. McMILLAN. How is the producer going to gain by this?

Mr. SULLIVAN. I will tell you. I think this is the gain of the producer. When he reads in the paper that No. 2 wheat is selling at \$1.50 he knows what No. 1 wheat ought to sell. To-day he does not know whether his wheat is No. 1 or No. 2. Under the modification the farmer will know whether his wheat is No. 1 or 2 or 3 just as well as the buyer. To-day the situation is such that the buyer, be he ever so honest, is unable

to say honestly whether he should get 1 or 2. Under the proposed modifications he will know and so will the farmer know. They will have a standard that each one of them will read alike instead of one that reads crooked. It will allay that feeling of discontent, that feeling he is blindfolded.

Mr. McMILLAN. Will it help his bank book?

Mr. SULLIVAN. That is where he will gain, and you will gain by getting the confidence of the farmer instead of as you now have a feeling of hostility. I have sat in the councils of the State of Minnesota for many years and I have seen growing daily a bitterness between the producer and the miller and the terminal elevator, and that is a bitterness that must be allayed before the thing is righted. That is the situation. That is a burning question. Now, heretofore the millers have had the dominant say in the fixing of these grades, and we want, for the first time in the history of the Federal inspection and Federal grades, to have the farmer's voice to have some potency. Let us try that once for one year and then see if it will not do something along the lines we have suggested. We have brought our experts here; we are willing to sit in council with the Secretary, with our experts across the table, and see if we can not get a fair result.

Mr. STEENERSON. That is what we ought to do. We ought to have these conferences.

Mr. SULLIVAN. Mr. Secretary, I want to be pardoned for saying one more thing and that is that so far as the history of this whole subject matter is concerned, so far as the controversy that has come before you from the miller's side, there has not escaped the slightest constructive suggestion toward getting together on the proposition of the modifications that ought to be made in these grades—not the slightest. We are met by a complete stone wall. "Why, you don't know your own interests," is all they say to us. "You are mere children; go home and raise better wheat; we want to fix a set of grades here—we have attempted to do it—that will compel you to do that thing; we ought to be, and we are, your best friends." Now, I say, drop that attitude and get together with us and see if we can not agree upon suggestions about grades. We don't want everything, but we do want to get together in a spirit of fairness and we do hope that before we leave Washington there will be something decided, something that we can all agree about if possible, and if we can not, the Secretary will agree about and determine so that the farmers will go home feeling that they have not been met by a stone wall.

Mr. GOETZMANN. I do not believe in compromising with retrogression. That is the reason why we do not meet on the question of the discussion of lowering the grades. We believe that a high standard is the best thing for the miller, for the grain man, and for the farmer. Now, then, these gentlemen are here for this reason that if you do not make Federal grades to conform to the Minnesota grades by a certain time, the Minnesota grades go in. These gentlemen say that these grades will be immeasurably better for the farmer. Very well, let us try it out. Let us, if you please, let these Minnesota grades go in and give a year trial to show the farmers who are their friends, the millers who are trying to protect the high product, or these politicians.

The SECRETARY. I object to that.

Mr. GOETZMANN. I should not have said that; but the point is, let us see just which is the best. We are taking a step backward. These Federal grades are the first step in advance that we have had for 20 years in the grading of the wheat of the Northwest. Now, for heaven's sake, men, we have our interests up there; we have millions upon millions of dollars invested up there that we are trying to preserve. That is unfair to say that we come in here and say that you do not know what you are talking about. We are entitled to our position, sir; we are entitled to protect our property; and we are entitled to the maintenance of the credit of the product that we have held supreme in the markets of the world for about 50 years, and we want to maintain it, and when you say it is antifarmer, sir, you never made a greater mistake in your life.

The SECRETARY. Everyone who handles wheat, the farmer, local elevator man, the terminal market, the exporter, foreign buyer, all have a perfectly legitimate interest in this wheat grading matter, and it is quite proper that all of them should present their views in the matter. Now, so far as this hearing is concerned, we have gotten just as far as we can in an open hearing of that sort. Let me suggest that you appoint a committee and have these experts confer with these people who make the grades. I understand your point of view perfectly. I think it has been made perfectly plain. They will give you whatever time is necessary to present the matter of the technical side. I am not ready to say when I will arrive at a decision. Neither am I ready to say whether there will be a further hearing. I will say that within three days I will announce our policy in the matter.

Mr. JACOBSON. We have several others here who have not been heard.

The SECRETARY. You arrange with Mr. Livingston, who is here, and the general hearing will stand adjourned. I will say this, that if a further hearing is had it will be at a point convenient to the producers.

Mr. SULLIVAN. Mr. Chairman, I have here charts showing the average by grades and subclasses of hard red spring wheat 1919 crop, and the same for the 1920 crop; and also a chart showing the comparison of market price with actual value by grades and subclasses 1919 crop, and the same for the 1920 crop, which I would like to have included in the record.

The CHAIRMAN. Mr. Besley, the understanding is that you are ready to appear at any time?

Mr. BESLEY. I am, yes, sir. I do not know whether the Secretary wants to appear for or against this bill.

I might state, for whatever it is worth to the committee, that the Secretary, in an announcement made within the last 30 days, stated that he deemed it advisable to make any changes in the spring-wheat standards this year, but that he proposed to make a thorough investigation of the whole matter this coming crop movement, and the investigation would likely start in August or the 1st of September, when the crop begins to move. I would be glad to leave with the committee a copy of the Secretary's statement, if you want it.

The CHAIRMAN. We would be glad to have it. Hand it to the reporter, to be inserted in the hearing.

(The statement referred to was afterwards furnished by Mr. Besley, and is here printed in full, as follows:)

STATEMENT ON PROPOSED CHANGES IN WHEAT GRADES.

WASHINGTON, D. C., May 16, 1921.

The Secretary of Agriculture to-day issued the following statement on the proposed changes in the Federal grades for spring wheat:

"On April 27 and 28, 1921, delegations from Minnesota and other central Northwestern States met in my office and requested certain changes in the Federal grades for spring wheat. During this hearing an eastern delegation asked to be heard on grades for garlicky wheat, but were requested to defer their presentation until a later date, and were heard May 13, 1921, at which time delegations from Missouri, Pennsylvania, and Maryland also were heard on the same subject. General hearings have not been held nor have interested parties in other sections of the country had full opportunity to present their views upon the changes proposed or the other changes in Federal wheat grades which might become necessary if the proposed changes should be granted. I have, however, received a great many telegrams and letters on the matter from other sections, most of them expressing strong opposition to any changes in the present wheat grades.

"I listened attentively to all that was said at the hearings, have read the letters and telegrams received, and have gone to some trouble to consult many people who favored and opposed the changes suggested, not only those who requested interviews, but others of wide experience and practical knowledge whose judgment I asked for. Also, I have read evidence presented at previous hearings and have at hand the information gathered with a great deal of care by the Department of Agriculture through extensive investigations covering many years.

"From the information gained at the hearings and otherwise, and from the most conscientious study I have been able to give this matter during the past three weeks, I have not been able to find reasons which justify any change in the present grades, except a minor change noted hereafter. Among the reasons which compel this decision are the following:

"1. Frequent changes in grades and standards are highly undesirable and should be made only after thorough investigation has shown them to be both justified and needed.

"2. The grain standards act requires that notice of changes be given not less than 90 days in advance of their respective date. Changes made to apply to the crop of this year should become effective not later than August 15 for spring wheat and still

earlier for garlicky wheat; and even then some wheat would have begun to move and many contracts therefore would have been made. Therefore, changes effective this year must be announced immediately.

"3. I have been in office but a short time—much too short to give this matter the study its great importance demands, particularly from the standpoint of the wheat grower. I am not willing to order changes which I do not of my own knowledge feel are fully justified and will be helpful to the producer and will promote more satisfactory marketing of our wheat crop.

"I have had no trouble in getting opinions and advice in this matter of wheat grades, but I have had a great deal of difficulty in getting sound facts upon which these opinions are based. The study I have given the matter makes it very plain to me that hasty or ill-considered action might result in great injustice to the wheat grower, who is least able to protect himself in such a matter, and throw our wheat-marketing system into confusion to the injury of everybody who grows or handles wheat.

"While I make no changes in the grades at the present time, the criticism of the present grades warrants a thoroughgoing investigation, especially as to their practical application at country buying points. I shall make such investigation during the coming wheat-marketing season, and if changes are justified they will be made well in advance of the marketing season next year.

"During the hearing it was strongly urged that the words 'good color' be substituted for the word 'bright' in the spring wheat grades. It was contended that the word 'bright' was used at times in a technical sense to the disadvantage of the wheat grower. This descriptive term 'bright' was used in the old Minnesota grades, and was carried over into the Federal grades when they were established. Very few cars of wheat have been graded down solely because of failure to meet the requirement 'bright,' but since it is charged that the term may be used improperly to grade down wheat at country buying points I am ordering that it be eliminated entirely from the standards. There seems to be no good reason for substituting some other descriptive term for it, as that would require explanation for a long time before being generally understood, and might also be used in the same way."

Mr. SULLIVAN. In connection with the statement made by Mr. Besley, it is my information that the same statement has been made for several years back that the investigation would be made and a determination made later; but it has always been without result. And that is the reason we were compelled to lay this matter before Congress. It is the only forum we could find.

Mr. CLARKE. I have entire confidence in the Secretary of Agriculture, that when he makes a promise he will perform it.

Mr. CLAGUE. Mr. Chairman, I have here the statement and figures used by Mr. McGovern yesterday in his testimony. I do not think a motion was made that this statement be printed in the record. I would like to make a motion now that it be printed in the record.

The CHAIRMAN. Without objection it may be printed.

(The statement referred to is here printed in full as follows:)

STATEMENT 1919 WHEAT CROP LOSS IN GRADES.

The Federal grades consider corn cockle, wild peas (vetch), king heads, wild rose, darnel, inseparable material, and lowers the grades in wheat according to the per cent that is in the wheat.

The table for inseparable material in grades of wheat is as follows:

Foreign material other than dockage; matter other than cereal grains: No. 1, five-tenths of 1 per cent; No. 2, 1 per cent; No. 3, 2 per cent; No. 4, 3 per cent; No. 5 5 per cent.

The land in close proximity to the Red River raises kingheads, wild peas, and cockle. While the farmers have tried in every manner to cultivate this land to eradicate this noxious weed, they have not been successful.

The total acreage of this land is approximately 1,506,766 on the North Dakota side of the river. The year 1919 wheat crop was 15,919,911 bushels on this land. The average loss is three grades on account of this foreign material. Fifteen cents per bushel (as shown by Grain Bulletin card price) would be \$2,387,985.75.

FARMERS' ELEVATOR & TRADING CO.,
Wild Rice, N. Dak.

MINNEAPOLIS, MINN., May 31, 1921.

Dark northern spring.

	<i>Northern spring.</i>
1. 58-pound test.....	130
2. 57-pound test.....	120
3. 55-pound test.....	110
4. 53-pound test.....	101
5. 50-pound test.....	89
	117
	107
	102
	92
	81

Three cents discount per pound under 50 pounds; red spring 5 cents less than northern spring; mixed wheat 4 cents less grade for grade.

Amber durum.

	<i>Durum.</i>
1. 60-pound test.....	124
2. 58-pound test.....	122
3. 56-pound test.....	114
4. 54-pound test.....	105
5. 51-pound test.....	95
	119
	117
	110
	100
	90

Three cents discount per pound under 51 pounds; red durum 5 cents less than durum; mixed durum same as durum.

Flax.

No. 1.....	162	1. 60-pound test.
No. 2.....	157	2. 58-pound test.
N. G.....	147	3. 56-pound test.

Corn.

4. 54-pound test.	4.	54-pound test.
	5.	51-pound test.

No. 3. Yellow shelled.....	38	1. 60-pound test.
No. 4. Yellow shelled.....	35	2. 58-pound test.
No. 5. Yellow shelled.....	32	3. 56-pound test.

Mixed 2 cents discount; white, 2 cents discount; ear corn 5 cents less than shell.

Barley.

No. 2, 46-pound.....	38
No. 3, 44-pound.....	34
No. 4, 41-pound.....	30

One cent discount per pound under 41-pound timothy, hundredweight.

SAMPLE No. 1.

GARDNER, N. DAK.

Gardner Grain Co. bought of Harry Knutson on May 31, 1921: Grades No. 5 dark northern, 59 test weight, 1 per cent dockage. Contains $3\frac{1}{2}$ per cent kingheads. Free from kingheads, it grades No 1 dark northern, 60 test weight, 1 per cent dockage. The difference in price between No. 1 dark northern and No. 5 dark northern at the terminal market, Minneapolis, is: No. 1 dark northern, \$1.62 per bushel; No. 5 dark northern, \$1.21 per bushel. Loss to the farmer, 41 cents per bushel. See flour report of this sample.

Analysis: $3\frac{1}{2}$ per cent equals $2\frac{1}{10}$ pounds per bushel; $60 - 2\frac{1}{10}$ equals $57\frac{9}{10}$ pounds at \$1.62 equals \$1.56; price received with K. H., equals \$1. 21; gain to producer if K. H. is considered dockage, per bushel, \$0.35.

MINNEAPOLIS, MINN., April 4, 1921.

FARMERS' ELEVATOR & TRADING CO., Wildrice, N. Dak.:

Dark northern spring.

1. No. 58 pound test.....	137	1. No. 58 pound test.....	124
2. No. 57 pound test.....	134	2. No. 57 pound test.....	116
3. No. 55 pound test.....	123	3. No. 55 pound test.....	110
4. No. 53 pound test.....	108	4. No. 53 pound test.....	102
5. No. 50 pound test.....	93	5. No. 50 pound test.....	88

Three cents discount per pound under 50 pounds red spring, 3 cents less than northern spring; mixed wheat, 4 cents less, grade for grade.

Amber durum.

1. No. 60 pound test.....	127	1. No. 60 pound test.....	123
2. No. 58 pound test.....	125	2. No. 58 pound test.....	121
3. No. 56 pound test.....	117	3. No. 56 pound test.....	114
4. No. 54 pound test.....	108	4. No. 54 pound test.....	104
5. No. 51 pound test.....	98	5. No. 51 pound test.....	94

Three cents discount per pound under 51 pounds; red durum, 5 cents less than durum; mixed durum, same as durum.

Flax.

No. 1.....	129
No. 2.....	124
N. G.	114

Corn.

No. 3 yellow, shelled.....	32
No. 4 yellow shelled.....	30
No. 5 yellow shelled.....	28

Mixed 2 cents discount; white, 1 cent discount; ear corn, 5 cents less than shelled.

Barley.

No. 2. No. 46 pound.....	39
No. 3. No. 44 pound.....	35
No. 4. No. 41 pound.....	29

Two cents discount per pound under 46 pound.

Timothy, hundredweight, No. 203 northern, 36½.

Northern spring.

1. No. 58 pound test.....	124
2. No. 57 pound test.....	116
3. No. 55 pound test.....	110
4. No. 53 pound test.....	102
5. No. 50 pound test.....	88

Durum.

1. No. 60 pound test.....	123
2. No. 58 pound test.....	121
3. No. 56 pound test.....	114
4. No. 54 pound test.....	104
5. No. 51 pound test.....	94

Winter.

1. No. 60 pound test.....	
2. No. 58 pound test.....	
3. No. 56 pound test.....	
4. No. 54 pound test.....	
5. No. 51 pound test.....	

Oats.

No. 2 29-pound.....	23
No. 3 26-pound.....	22
No. 4 23-pound.....	19

One cent discount per pound under 26-pounds.

Rye.

No. 2. No 54-pound.....	117
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One cent discount per pound under 54-pounds.

Speltz, hundredweight, 45.

THE GRAIN BULLETIN.

SAMPLE NO. 2.

ARGUSVILLE, N. DAK., April 4, 1921.

Farmers' Elevator Co.: Grade, sample grade dark northern wheat, 47-test weight, 22 per cent kinghead. Free from foreign material, it grades No. 2 dark northern, 57½ test weight. Difference in price as shown by car sales at terminal market, Minneapolis, was 45 cents. Car, 47 pounds; sample grade dark northern, \$1.08; average sales of No. 2 dark northern, \$1.53.

Analysis: What producer would receive if kinghead was considered dockage: 22 per cent K. H.=13½ pounds per bushel.

60-13½=46.8 pounds, at \$1.53 or 0.0255 per pound.....	\$1.1934
Price received with kinghead.....	1.08

Gain to producer, per bushel1134
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HORACE FARMERS' ELEVATOR CO.,
Horace, N. Dak..

MINNEAPOLIS, MINN., June 3, 1921.

SAMPLE No. 3.

HORACE, N. DAK.

Farmers' Elevator Co. bought of E. O. Christianson, Fargo, Route No. 1, June 3, 1921: Grade, sample grade dark northern, 54 test weight, 4 per cent dockage, and has 6 per cent kingheads. Free from kingheads, it would grade No. 3 dark northern, 56 test weight. The difference in price between grade No. 3 and sample I find to be in the sales at the terminal market, Minneapolis, 15 cents. On June 3, 1921, the average sale for No. 3 dark northern was \$1.51; the average sales for sample grade dark northern was \$1.36.

Analysis: What producer would have received if kingshead or foreign material other than cereal grains would have been considered as dockage: 6 per cent kinghead - 3.6 pounds per bushel. Sixty pounds - 3.6 = 56.4 pounds; 54.4 pounds at \$1.51, or \$0.2 $\frac{1}{2}$ per pound, \$1.42; price with kinghead, \$1.36; net gain to producer per bushel, \$0.06.

MINNEAPOLIS, MINN., April 20, 1921.

W. W. FLAGG, Mapleton, N. Dak.:

Dark northern spring.

1. 58 pounds test.....	\$1.19
2. 57 pounds test.....	1.15
3. 55 pounds test.....	1.04
4. 53 pounds test.....	.92
5. 50 pounds test.....	.77

Northern spring.

1. 58 pounds test.....	\$1.11
2. 57 pounds test.....	1.03
3. 55 pounds test.....	.97
4. 53 pounds test.....	.89
5. 50 pounds test.....	.75

Three cents discount per pound under 50 pounds; red spring, 5 cents less than northern spring; mixed wheat, 4 cents less, grade for grade.

Amber durum.

1. 60 pounds test.....	\$1.13
2. 58 pounds test.....	1.11
3. 56 pounds test.....	1.03
4. 54 pounds test.....	.94
5. 51 pounds test.....	.84

Durum.

1. 60 pounds test.....	\$1.09
2. 58 pounds test.....	1.07
3. 56 pounds test.....	1.00
4. 54 pounds test.....	.90
5. 51 pounds test.....	.80

Three cents discount per pound under 51 pounds; red durum, 5 cents less than durum; mixed durum, same as durum.

Flax.

No. 1.....	\$1.29
No. 2.....	1.24
No grade.....	1.14

Winter.

1. 60 pounds test.....	
2. 58 pounds test.....	
3. 56 pounds test.....	
4. 54 pounds test.....	
5. 51 pounds test.....	

Corn.

No. 3 yellow, shelled.....	\$0.33
No. 4 yellow, shelled.....	.30
No. 5 yellow, shelled.....	.28

Oats.

No. 2, 29 pounds.....	\$0.24
No. 3, 26 pounds.....	.23
No. 4, 23 pounds.....	.20

Mixed 2 cents discount; white, 2 cents discount; ear corn, 5 cents less than shelled.

1 cent discount per pound under 26 pounds.

Barley.

No. 2, 46 pounds.....	\$0.37
No. 3, 44 pounds.....	.33
No. 4, 41 pounds.....	.27

Rye.

No. 2, 54 pounds.....	\$1.02
1 cent discount per pound under 54 pounds.	

2 cents discount per pound under 46 pounds.

Timothy, hundredweight, No. 216 northern, \$0.36 $\frac{1}{2}$.
Speltz, hundredweight, \$0.25.

THE GRAIN BULLETIN.

SAMPLE No. 4.

FIFE, N. DAK.

Andrews Grain Co. Bought of N. E. Fletcher, Mapleton, N. Dak., on April 20, 1921: Grades No. 5 dark northern, 55 test weight, $4\frac{4}{5}$ per cent kingheads; free from kingheads, No. 3 dark northern, $56\frac{1}{2}$ test weight. The difference in price between No. 3 dark northern and No. 5 dark northern on April 20, 1921, is 19 cents. Average sales, No. 3 dark northern, \$1.24; No. 5 dark northern, \$1.05.

There is a loss of 19 cents per bushel at the terminal market and a loss of 27 cents at the market where the farmer sold it. See the Grain Bulletin card that country buyers use.

Analysis: What producer would receive if kinghead was considered dockage: $4\frac{7}{10}$ per cent = $2\frac{4}{10}$ pounds per bushel; $60 - 2\frac{4}{10} = 57\frac{3}{5}$, at \$1.24 = \$1.18; price received with kinghead, \$1.05; gain to producer per bushel, \$0.13.

MINNEAPOLIS, MINN., April 25, 1921.

FARMERS' ELEVATOR & TRADING CO.,
Wilderice, N. Dak.

*Dark northern spring.**Northern spring.*

1. 58-pound test.....	119	1. 58-pound test.....	111
2. 57-pound test.....	115	2. 57-pound test.....	103
3. 55-pound test.....	104	3. 55-pound test.....	97
4. 53-pound test.....	92	4. 53-pound test.....	89
5. 50-pound test.....	77	5. 50-pound test.....	75

Three cents discount per pound under 50-pound red spring; 5 cents less than northern spring mixed wheat; 4 cents less grade for grade.

*Amber durum.**Durum.*

1. 60-pound test.....	114	1. 60-pound test.....	112
2. 58-pound test.....	112	2. 58-pound test.....	110
3. 56-pound test.....	104	3. 56-pound test.....	103
4. 54-pound test.....	95	4. 54-pound test.....	93
5. 51-pound test.....	85	5. 51-pound test.....	83

Three cents discount per pound under 51-pound red durum; 5 cents less than durum; mixed durum same as durum.

*Flax.**Winter.*

No. 1.....	127	1. 60-pound test.....	
No. 2.....	122	2. 68-pound test.....	
N. G.....	112	3. 56-pound test.....	
		4. 54-pound test.....	
		5. 51-pound test.....	

*Corn.**Oats.*

No. 3, yellow shell.....	33	No. 2, 29 pounds.....	23
No. 4, yellow shell.....	30	No. 3, 26 pounds.....	22
No. 5, yellow shell.....	28	No. 4, 23 pounds.....	19

One cent discount per pound under 26 pounds.

Mixed, 2 cents discount; white, 2 cents discount; ear corn, 5 cents less than shell.

*Barley.**Rye.*

No. 2, 46 pounds.....	37	No. 2, 54 pounds.....	102
No. 3, 44 pounds.....	33		
No. 4, 41 pounds.....	27		

One cent discount per pound under 54 pounds.

Two cents discount per pound under 46-pound timothy, hundredweight.

No. 220 northern, $36\frac{1}{2}$; spelts, hundredweight, 25.

Freight rate 19 cents per hundred.

Freight rate 11.4 cents per bushel for wheat.

SAMPLE No. 5.

HORACE, N. DAK.

Great Western Grain Co. Bought of W. S. Lowman, Fargo, N. Dak., on April 25, 1921: Grades No. 5 dark northern, $57\frac{1}{2}$ test weight, 3 $\frac{1}{4}$ per cent kingheads. Free from kingheads, it grades No. 1 dark northern, $58\frac{1}{2}$ test weight. The difference between No. 5 dark northern and No. 1 dark northern on April 25, 1921, is 47 cents—No. 1 dark northern, \$1.59; No. 5 dark northern, \$1.12. Loss on account of 3 per cent kingheads, 47 cents per bushel; loss at market where farmer sold his grain, — See Grain Bulletin card price.

Analysis: What producer would receive if kinghead or foreign material other than cereal grains would be considered as dockage: 3.5% kinghead = $2\frac{1}{2}$ pounds; 60 pounds - $2\frac{1}{2}$ = $57\frac{1}{2}$ pounds; $57\frac{1}{2}$ pounds, at \$1.59 per bushel, or 2 $\frac{1}{4}$ cents per pound, \$1.53 $\frac{1}{2}$; price received with kinghead, \$1.12; net gain to producer per bushel, \$0.41 $\frac{1}{2}$.

MINNEAPOLIS, MINN., August 24, 1920.

FARMERS' ELEVATOR & TRADING CO.,
Wilderice, N. Dak.

<i>Dark northern spring.</i>	<i>Northern spring.</i>
1. 58-pound test.....	218
2. 57-pound test.....	213
3. 55-pound test.....	208
4. 53-pound test.....	198
5. 50-pound test.....	188
	213
	208
	203
	193
	183

4 cents discount per pound under 50 pounds red spring; 5 cents less than northern spring.

<i>Amber durum.</i>	<i>Durum.</i>
1. 60-pound test.....	210
2. 58-pound test.....	205
3. 56-pound test.....	200
4. 54-pound test.....	190
5. 51-pound test.....	180
	205
	200
	195
	185
	175

Red durum 10 cents less than durum; mixed wheat; 4 cents less predominating grain and grade.

<i>Flax.</i>	<i>Winter.</i>
No. 1.....	293
No. 2.....	288
N. G.....	278
	1. 60-pound test.....
	2. 58-pound test.....
	3. 56-pound test.....
	4. 54-pound test.....
	5. 51-pound test.....
	New oats.
	<i>Mill oats lkg. cwt.</i>
No. 1.....	105
No. 2.....	80
No. 3.....	55
	No. 3, 26 pounds.....
	No. 4, 23 pounds.....
	52
	49

1 cent discount per pound under 26 pounds.

<i>Barley.</i>	<i>New rye.</i>
No. 2, 46 pounds.....	78
No. 3, 44 pounds.....	74
No. 4, 41 pounds.....	68
	No. 2, 54 pounds.....
	165

1 cent discount per pound under 54 pounds.

Timothy hundredweight No. 20 northern, 36 $\frac{1}{2}$; Speltz hundredweight, 165.

THE GRAIN BULLETIN.

SAMPLE No. 6.

GARDNER, N. DAK.

Gardner Farmers Elevator Co. bought of Hernes & Pinkham, August 24, 1920: Grades, sample dark northern, $56\frac{1}{2}$ test weight, 8 per cent dockage, $5\frac{1}{2}$ per cent kingheads. Free from kingheads, grades No. 1 dark northern, $58\frac{1}{2}$ test weight. The difference in price is 27 cents. No. 1 dark northern sales, \$2.47; sample dark northern sales, \$2.20; loss on account of kingheads, 27 cents per bushel at the terminal market, and loss to the farmer at the local elevator where he sold his grain, 40 cents per bushel. See Grain Bulletin card price.

Analysis: What producer would receive if kinghead was considered dockage: 5.6 per cent = $3\frac{1}{2}\%$ pounds per bushel; $60 - 3\frac{1}{2}\% = 57\frac{1}{2}\%$ at \$2.47, \$2.33; price received with kinghead, \$2.20; gain to producer per bushel, \$0.13.

MINNEAPOLIS, MINN., June 3, 1921.

FARMERS ELEVATOR & TRADING CO.,

Wildrice, N. Dak.

Dark northern spring.

	<i>Northern spring.</i>
1. 53-pound test.....	146
2. 57-pound test.....	136
3. 55-pound test.....	126
4. 53-pound test.....	117
5. 50-pound test.....	105
	132
	122
	117
	107
	98

Three cents discount per pound under 50 pounds; red spring 5 cents less than northern spring; mixed wheat 4 cents less grade for grade.

Amber durum.

	<i>Durum.</i>
1. 60-pound test.....	135
2. 58-pound test.....	133
3. 56-pound test.....	125
4. 54-pound test.....	116
5. 51-pound test.....	106
	130
	128
	121
	111
	101

Three cents discount per pound under 51 pounds; red durum, 5 cents less than durum; mixed durum same as durum.

Flax.

No. 1.....	168
No. 2.....	163
N. G.....	153

Corn.

No. 3 yellow shelled.....	39
No. 4 yellow shelled.....	36
No. 5 yellow shelled.....	33

Mixed, 2 cents discount; white, 2 cents discount; ear corn 5 cents less than shell.

Barley.

No. 2. 46-pound.....	39
No. 3. 44-pound.....	35
No. 4. 41-pound.....	31

One cent discount per pound under 41 pounds.

Timothy, hundredweight, No. 253 northern, 36 $\frac{1}{2}$.

Winter.

1. 60-pound test.....	
2. 58-pound test.....	
3. 56-pound test.....	
4. 54-pound test.....	
5. 51-pound test.....	

Oats.

No. 2. 29-pound.....	27
No. 3. 26-pound.....	26
No. 4. 23-pound.....	23

One cent discount per pound under 26 pounds.

Rye.

No. 2. 54-pound.....	117
	One cent discount per pound under 54 pounds.

Speitz, hundredweight, 25.
Freight rate, 19 cents per hundred, wheat.

Freight rate, 11.4 cents per bushel, wheat.

THE GRAIN BULLETIN.

SAMPLE No. 7.

FARMERS' ELEVATOR Co.,
Argusville, N. Dak., June 3, 1921.

Grades, No. 3 dark northern, 58½ test weight, 1½ per cent king-heads and wild peas. Free from kingheads and wild peas, grades No. 1 dark northern, 59 test weight. Difference in price at terminal market, Minneapolis, between No. 1 dark northern and No. 3 on the 3d day of June, 1921, was 20 cents per bushel, as shown by the sales on that date. The farmer loses 20 cents per bushel on this sample on account of having 1½ per cent king-heads and wild peas. The loss to the farmer at the country elevator is 20 cents per bushel. See card, June 3, 1921, Horace Farmers' Elevator. The freight rate is the same as Argusville.

Analysis: What producer would receive if foreign material other than cereal grain was considered as dockage:

Problem: 1.1 per cent wild peas=approximately $\frac{1}{10}$ pounds per bushel; $60 - \frac{1}{10} = 59\frac{9}{10}$ pounds, at \$1.83-\$1.80 $\frac{1}{10}$; June 3, 1921, price paid for No. 3 D. No. S., \$1.51; gain to producer per bushel, \$0.29 $\frac{1}{10}$.

MINNEAPOLIS, MINN., June 2, 1921.

FARMERS' ELEVATOR & TRADING Co.,
Wildrice, N. Dak.:

Dark northern spring.

1. 58-pound test.....	147
2. 57-pound test.....	137
3. 55-pound test.....	127
4. 53-pound test.....	118
5. 50-pound test.....	106

Northern spring.

1. 58-pound test.....	132
2. 57-pound test.....	122
3. 55-pound test.....	117
4. 53-pound test.....	107
5. 50-pound test.....	96

Three cents discount per pound under 50 pounds; red spring, 5 cents less than northern spring; mixed wheat, 4 cents less grade for grain.

Amber durum.

1. 60-pound test.....	135
2. 58-pound test.....	133
3. 56-pound test.....	125
4. 54-pound test.....	116
5. 51-pound test.....	106

Durum.

1. 60-pound test.....	130
2. 58-pound test.....	128
3. 56-pound test.....	121
4. 54-pound test.....	111
5. 51-pound test.....	101

Three cents discount per pound under 51 pounds; red durum, 5 cents less than durum; mixed durum same as durum.

Flax.

No. 1.....	165
No. 2.....	160
N. G.	150

Winter.

1. 60-pound test.....	
2. 58-pound test.....	
3. 56-pound test.....	
4. 54-pound test.....	
5. 51-pound test.....	

Corn.

No. 3 yellow, shelled.....	40
No. 4 yellow, shelled.....	37
No. 5 yellow, shelled.....	34

Oats.

No. 2. 29 pound.....	28
No. 3. 26 pound.....	27
No. 4. 23 pound.....	24

Mixed, 2 cents discount; white, 2 cents discount; ear corn, 5 cents less than shelled.

1 cent discount per pound under 26 pounds.

Barley.

No. 2. 46 pound.....	39
No. 3. 44 pound.....	35
No. 4. 41 pound.....	31

Rye.

No. 2. 54-pound.....	122
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Freight rate, 19 cents per hundred.
Freight rate, 11 cents per bushel, wheat.

SAMPLE No. 8.

MILL AT WAHPETON, N DAK.,

June 2, 1921.

Grades No. 3, dark northern, 57 test weight, 13 per cent dockage, 1.3 per cent cockle and wild peas. Free from cockle and wild peas, grades No. 2, dark northern. Difference in price between No. 2 dark northern, and No. 3 dark northern, on the 2d day of June, 1921, as shown by the sales at Minneapolis is 12 cents per bushel, on account of having 1.3 per cent cockle and wild peas. Loss at the country elevator, — cents per bushel. See Grain Bulletin card price.

~~66 basis: Problem—1.3 per cent equals approximately, $\frac{1}{10}$ pound per bushel.~~

June 2, 59 $\frac{1}{2}$ pounds, at \$1.66 per bushel.....	\$1.63 $\frac{1}{2}$
See paid for No. 3, dark northern; average terminal.....	1.50
Gain to produce.....	13$\frac{1}{2}$

FARMERS' ELEVATOR & TRADING

MINNEAPOLIS, MINN., June 7, 1921.

Dark northern spring.

1. 58-pound test.....	140	1. 58-pound test.....	128
2. 57-pound test.....	130	2. 57-pound test.....	123
3. 55-pound test.....	120	3. 55-pound test.....	116
4. 53-pound test.....	111	4. 53-pound test.....	108
5. 50-pound test.....	99	5. 50-pound test.....	96

Three cents discount per pound under 50 pounds red spring; 5 cents less than northern spring mixed wheat; 4 cents less grade.

*Amber durum.**Durum.*

1. 60-pound test.....	129	1. 60-pound test.....	125
2. 58-pound test.....	127	2. 58-pound test.....	123
3. 56-pound test.....	119	3. 56 pound test.....	116
4. 54-pound test.....	110	4. 54-pound test.....	106
5. 51-pound test.....	100	5. 51-pound test.....	96

Three cents discount per pound under 51 pounds red durum; 5 cents less than durum. Mixed durum same as durum.

*Flax.**Winter.*

No. 1.....	158	1. 60-pound test.....	125
No. 2.....	153	2. 58-pound test.....	123
N. G.....	143	3. 56-pound test.....	116

*Corn.**4. 54-pound test.....**5. 51-pound test.....*

No. 3, yellow shelled.....	37	No. 1, 46 pounds.....	37
No. 4, yellow shelled.....	34	No. 3, 44 pounds.....	33
No. 5, yellow shelled.....	31	No. 4, 41 pounds.....	29

One cent discount per pound under 41 pounds.

Mixed, 2 cents discount; white, 2 cents discount.

Ear corn 5 cents less than shelled.

*Oats.**Rye.*

No. 2, 29 pounds.....	25	No. 2, 54 pounds.....	109
No. 3, 26 pounds.....	24	One cent discount per pound under 54 pounds.	
No. 4, 23 pounds.....	21		
One cent discount per pound under 26 pounds.			

GRADES FOR SPRING WHEAT.

SAMPLE No. 9 (J. O. HOFF, OWNER).

ABERCROMBIE, N. DAK., June 7, 1921.

Grades No. 4 dark northern, 58 test weight, 4 per cent docakge, $2\frac{1}{2}$ per cent cockle and wild rose. Free from foreign material, grades No. 2 dark northern, $57\frac{1}{2}$ test weight. Difference in price at the terminal market, as shown by sales on the 7th day of June, 1921, was 36 cents. Difference at the country elevator, 19 cents per bushel. See Grain Bulletin card price.

Analysis: Problem, 7.3 per cent=approximately 1.4 pounds per bushel; 60 pounds- $1.4=59.6$ pounds at \$1.62 per bushel, \$1.58 $\frac{1}{2}$; price paid for No. 4 northern average terminal, \$1.96; gain to producer per bushel, \$0.22 $\frac{1}{2}$. June 9, 1921.

MINNEAPOLIS

FARMERS' ELEVATOR & TRADING CO.,
Wildrice, N. Dak.:

Northern spring.

<i>Dark northern spring.</i>	<i>No. 4</i>	<i>1. 58 pounds test.....</i>	<i>134</i>
1. 58 pounds test.....	134	2. 57 pounds test.....	124
2. 57 pounds test.....	124	3. 55 pounds test.....	119
3. 55 pounds test.....	115	4. 53 pounds test.....	109
4. 53 pounds test.....	103	5. 50 pounds test.....	98
5. 50 cents discount per pound under 50 pounds; red spring, 5 cents less than northern spring; mixed wheat, 4 cents less grade for grade.			

*Amber durum.**Durum.*

1. 60 pounds test.....	132	1. 60 pounds test.....	127
2. 58 pounds test.....	130	2. 58 pounds test.....	125
3. 56 pounds test.....	122	3. 56 pounds test.....	118
4. 54 pounds test.....	113	4. 54 pounds test.....	108
5. 51 pounds test.....	103	5. 51 pounds test.....	98

Three cents discount per pound under 51 pounds; red durum, 5 cents less than durum; mixed durum, same as durum.

*Flax.**Winter.*

No. 1.....	163	1. 60 pounds test.....	.....
No. 2.....	158	2. 58 pounds test.....	.....
N. C.....	148	3. 56 pounds test.....	.....

*Corn.**Oats.*

No. 3 yellow shelled.....	34	No. 2, 29 pounds.....	24
No. 4 yellow shelled.....	31	No. 3, 26 pounds.....	23
No. 5 yellow shelled.....	28	No. 4, 23 pounds.....	20

One cent discount per pound under 26 pounds.

Mixed, 2 cents discount; white, 2 cents discount; ear corn, 5 cents less than shell.

*Barley.**Rye.*

No. 2, 46 pounds.....	36	No. 2, 54 pounds.....	112
No. 3, 44 pounds.....	32		
No. 4, 41 pounds.....	28		

One cent discount per pound under 54 pounds.

One cent discount per pound under 41 pounds.

Timothy, hundredweight, No. 258, northern, $36\frac{1}{2}$; Speltz, hundredweight, 25 cents. Freight rate, 19 cents per hundred; wheat, 11 cents per bushel.

THE GRAIN BULLETIN.

SAMPLE No. 10.

JUNE 9, 1921.

GRANDIN FARMERS ELEVATOR Co.,
Grandin, N. Dak.

Grades No. 3 dark northern, 57 test weight, 1.3 per cent king-heads and wild peas. Free from foreign material, grades No. 2 dark northern, 57 test weight. Difference between No. 2 and No. 3 on the 9th day of June, 1921, as shown by sales at terminal market, Minneapolis, was 12 cents per bushel. The difference at the country elevator was 10 cents. See card price.

Analysis: One and three-tenths per cent=approximately eight-tenths per bushel; 60 pounds=eight-tenths=59 $\frac{1}{2}$ pounds at \$1.61 per bushel, \$1.58 $\frac{1}{2}$; price paid for No. — dark northern, average terminal, \$1.53; gain to producer per bushel, \$0.05 $\frac{1}{2}$.

SAMPLE No. II.

JUNE 9, 1921.

WILLIAM ANDERSON,
Grandin, N. Dak.

Grades No. 4 dark northern, 58 test weight, 2 per cent dockage, 2 $\frac{1}{2}$ per cent king-heads. Free from foreign material, grades No. 1 dark northern, 59 test weight. Difference in price as shown by sales at terminal market, Minneapolis, between 1 and 4 on the 9th day of June, 1921, was 36 cents per bushel.

Analysis: Two and one-tenth per cent=approximately 1 $\frac{1}{2}$ pounds per bushel; 60 pounds=1 $\frac{1}{2}$ =58 $\frac{1}{2}$ pounds at \$1.75 per bushel, \$1.72 $\frac{1}{2}$; price paid for No. 4 dark northern, average terminal, \$1.34; gain to producer per bushel, \$0.37 $\frac{1}{2}$.

MINNEAPOLIS, MINN., April 7, 1921.

FARMERS' ELEVATOR & TRADING CO.,
Wildrice, N. Dak.

Dark northern spring.

1. 58-pound test.....	136	1. 58-pound test.....	123
2. 57-pound test.....	133	2. 57-pound test.....	116
3. 55-pound test.....	122	3. 55-pound test.....	109
4. 53-pound test.....	104	4. 53-pound test.....	101
5. 50-pound test.....	92	5. 50-pound test.....	87

Three cents discount per pound under 50 pounds. Red Spring, 5 cents less than Northern Spring. Mixed Wheat, 4 cents less grade for grade.

Amber durum.

1. 60-pound test.....	126	1. 60-pound test.....	122
2. 58-pound test.....	124	2. 58-pound test.....	120
3. 56-pound test.....	116	3. 56-pound test.....	113
4. 54-pound test.....	107	4. 54-pound test.....	103
5. 51-pound test.....	97	5. 51-pound test.....	93

Three cents discount per pound under 51 pounds. Red Durum, 5 cents less than Durum. Mixed Durum same as Durum.

Flax.

No. 1.....	129	1. 60-pound test.....	122
No. 2.....	124	2. 58-pound test.....	120
N. G.....	114	3. 56-pound test.....	113

Corn.

No. 3. Yellow, shell.....	34	No. 2. 29-pound.....	23
No. 4. Yellow, shell.....	32	No. 3. 26-pound.....	22
No. 5. Yellow, shell.....	30	No. 4. 23-pound.....	19

Mixed, 2 cents discount; white, 1 cent discount. Ear corn, 5 cents less than shell.

Durum.

1. 60-pound test.....	122
2. 58-pound test.....	120
3. 56-pound test.....	113
4. 54-pound test.....	103
5. 51-pound test.....	93

Winter.

1. 60-pound test.....	122
2. 58-pound test.....	120
3. 56-pound test.....	113
4. 54-pound test.....	103
5. 51-pound test.....	93

*Flax.**Oats.*

No. 2. 29-pound.....	23
No. 3. 26-pound.....	22
No. 4. 23-pound.....	19

One cent discount per pound under 26 pounds.

<i>Barley.</i>	<i>Rye.</i>
No. 2. 46-pound..... 41	No. 2. 54-pound..... 119
No. 3. 44-pound..... 37	One cent discount per pound under
No. 4. 41-pound..... 31	54 pounds.
Two cents discount per pound under 46 pounds.	
<i>Timothy.</i>	<i>Speltz.</i>
No. 5. Northern, 100-pound..... 36	100-pound..... 45

Freight rate, 19 per hundred wheat. Freight rate, 11.4 per bushel wheat.

THE GRAIN BULLETIN.

SAMPLE No. 12.

FARMERS GRAIN CO.,
Grandin, N. Dak.

Grades No. 4 northern, $57\frac{1}{2}$ test weight, $2\frac{1}{10}$ per cent kingheads. Free from foreign material, grades No. 1 northern, 58 test weight. Difference in price as shown by sales at the terminal market at Minneapolis on April 7, 1921:

No. 1 northern, \$1.62; No. 4 northern, \$1.42; test weight $57\frac{1}{2}$, 4 per cent of foreign material. Loss of 20 cents on a bushel on account of $2\frac{1}{10}$ per cent of kingheads.

Analysis: What producer would receive if kinghead was considered dockage: 2.9 per cent = $1\frac{7}{10}$ pounds; 60 pounds - $1.74 = 58\frac{1}{10}$ pounds; $58\frac{1}{10}$ pounds, at \$1.62 per bushel, or $2\frac{1}{10}$ per pound, $\$1.57\frac{1}{10}$. Price received with kinghead, \$1.42. Gain to producer if kinghead was considered as dockage, per bushel, $\$0.15\frac{1}{10}$.

The North Dakota grain inspection department had samples of wheat from the mills located in North Dakota. Said wheat graded as follows, viz:

June 13, 1921. Grade No. 4 dark northern, 57.8 test weight, 4 per cent dockage, 2.5 per cent kingheads.

June 3, 1921. Bought of Opper Dobring, Osgood. Car No. 35235. Grade No. 3 dark northern, $58\frac{1}{2}$ test weight, 5 per cent dockage, 1.4 per cent kingheads.

March 17, 1921. Bought of Nab Martin. Car No. 26358. Grade No. 5 dark northern, 54 test weight, 9 per cent dockage, $\frac{1}{10}$ per cent kingheads.

April 2, 1921. Bought of Peter Barnett, Newman. Car No. 15674, Great Northern. Grade No. 1 dark northern, 59 test weight, 7 per cent dockage, $\frac{1}{10}$ per cent kingheads.

April 8, 1921. Bought of Peter Barnett. Car No. 122885, Great Northern. Grade No. 3 northern, $55\frac{1}{2}$ test weight, 11 per cent dockage, $\frac{1}{10}$ per cent kingheads.

April 30, 1921. Bought of W. J. Olson & Son. Car No. not given. Grade No. 4 dark northern, 55 test weight, 6 per cent dockage, 3.3 per cent foreign material.

May 20, 1921. Sample grade northern, 52 test weight, 14 per cent dockage, $7\frac{1}{2}$ per cent kingheads.

August 27, 1920. Grade No. 3 dark northern, 58 test weight, 4 per cent dockage, 1.8 per cent kingheads.

September 1, 1920. Grade sample northern, 49 test weight, 5 per cent dockage, 8 per cent kingheads.

April 25, 1921. North Dakota Car No. 37930 N. P. Grade No. 4 dark northern, 54 test weight, 9 per cent dockage, 3 per cent foreign material.

COMBINATION SAMPLE OF NO. 1 TO NO. 12 INCLUSIVE.

Sample No. 13 grades No. 5 dark northern spring, $57\frac{1}{2}$ test weight, one-half of 1 per cent dockage. Contains 3.5 per cent king-heads, wildrose, and wild peas.

Mr. SINCLAIR. Mr. Chairman, I had a talk with Senator Ladd this morning, and he would like to make a statement to the committee. Would it be possible for him to be heard tomorrow morning, or some other time?

The CHAIRMAN. I think it will be possible for him to be heard tomorrow morning.

Without objection, the committee will adjourn until 10 o'clock tomorrow morning.

(And thereupon, at 12 o'clock and 45 minutes p. m., the committee adjourned until tomorrow, Wednesday, June 29, 1921.)

COMMITTEE ON AGRICULTURE;
HOUSE OF REPRESENTATIVES,
Wednesday, June 29, 1921.

The committee met at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

There were present: Mr. Haugen, Mr. McLaughlin of Michigan, Mr. Purnell, Mr. Voigt, Mr. McLaughlin of Nebraska, Mr. Tincher, Mr. Williams, Mr. Sinclair, Mr. Hays, Mr. Thompson, Mr. Gernerd, Mr. Clague, Mr. Clarke, Mr. Jacoway, Mr. Rainey, Mr. Aswell, Mr. Kincheloe, Mr. Jones, and Mr. Ten Eyck.

STATEMENT OF HON. GEORGE M. YOUNG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA.

The CHAIRMAN. Mr. Young, we will first hear you this morning.

Mr. YOUNG. Mr. Chairman, this is the last day of our consideration of the tariff bill and we have some important matters which we must dispose of this forenoon. For that reason I have only a few minutes to spare, but I wanted in that time to express my very great interest in the bill which has been introduced by Mr. Steenerson and which I am sure our people are very anxious shall be not only passed by this Congress but passed quickly.

The fight for a better grading system has been going on now for about two decades and some of us are getting very impatient for results. As to the attempt to obtain changes or modifications of the standard grades through the department, I think I am safe in saying that we have exhausted every means of securing modifications in that way. Delegations from the Northwest have been before the Secretary of Agriculture many times. The refusal to give us relief from that source has not been confined to one Secretary, but I should say to at least three, Secretary Houston, Secretary Meredith, and the present Secretary.

So we are now coming to this committee for relief, and I hope that those who appeared here yesterday have already convinced this committee that this bill ought to be reported out quickly and put through the House as speedily as possible.

Mr. KINCHELOE. Mr. Young, how do you account for the three secretaries and the Bureau of Markets under them failing to give you relief? What reason do they give? They evidently must have what they think, at least, is a good reason.

Mr. YOUNG. I should say probably the big, outstanding reason, is that they live in Washington, D. C.

Mr. KINCHELOE. But in the Bureau of Markets they are supposed to have some expert men along this line.

Mr. YOUNG. Yes; they ought to have, but sometimes the higher brow you get on a man the less chance there is to get anything practical out of him.

Mr. KINCHELOE. Of course, I know nothing about the personnel but I am just speaking of the matter as a general proposition.

Mr. YOUNG. I do not know that all of these men in the department have ever seen a prairie. We would like to get this work done somewhere near the Northwest.

Mr. JONES. Mr. Young, for information, is not the price of wheat fixed on the demand and supply rather than on the grades.

Mr. YOUNG. Of course, the law of supply and demand ought to operate in these matters, but—

Mr. JONES (interposing). Do you think it will alter the price—

Mr. YOUNG (continuing). But the grades are simply a matter describing what the law of supply and demand operates upon. Of course, a high-grade wheat is worth more than a low-grade wheat.

Mr. JONES. Yes; and that is because of its better quality.

Mr. YOUNG. And the grades are supposed to be a convenience to the trade in closing up transactions or sales where the parties are so far separated by distance as to make a personal inspection possible.

Mr. JONES. Do you think that third-grade wheat, if it was classed as first-grade wheat, would bring a better price than it does?

Mr. YOUNG. That would not do. There is nobody, so far as I know, connected with this delegation or with any delegation that has ever come down here who is disposed to shut his eyes to the real differences in quality.

Mr. JONES. I understand that.

Mr. YOUNG. Judged from the milling value of the wheat.

Mr. JONES. I am just trying to get at whether there is any way to change the grading and thereby affect the price. If you put more different classes in a single grade, in other words, would not the price that you received for that particular grade be based on the lowest quality of wheat that goes into that particular grade.

Mr. YOUNG. In the limited time I have this morning I would not want to go into a nice discussion of just how these grades ought to be fixed.

Mr. JONES. I am not expressing an opinion, but simply asking for information.

Mr. YOUNG. I have given some 18 years of study to this matter and possibly I could qualify as an expert, but what we want is an opportunity to have these grades fixed by practical men who are acquainted with the country.

Mr. JONES. I thoroughly agree with you that that ought to be done, if it is not done now.

Mr. YOUNG. And also acquainted with the marketing facilities of the country. You would have to have an elevator about a mile long to properly take care of all these grades and handle wheat according to the Federal grades.

Mr. JONES. I know that is necessarily true, because the country elevator, evidently, could not take care of an immense variety of grades, but what I was trying to arrive at was the practical result of combining grades and whether you would thereby injure the higher grade rather than help the lower grade that happened to be put in the same classification.

Mr. YOUNG. Of course, our contention has been that we have too many grades and too many niceties which do not at all help the man to buy grain if he has not seen it. The purpose of these grades is to permit men in the East or over in foreign countries to buy wheat out of which to make flour and to know the kind of wheat they are getting. In the establishment of the national grades they have gone far and beyond all requirements to bring about that necessary result.

Mr. JONES. You understand that I am simply trying to get at the practical effect of the bill.

Mr. SULLIVAN. Mr. Young, if I may be permitted to ask you a question, one of the things that we want to do is to have an arrangement whereby when a sale is made on the Minneapolis Exchange that sale may be understood by the farmer. To-day the price on the exchange does not mean anything to the farmer.

Mr. YOUNG. It does not mean anything, because they have no facilities out there to reflect it out in an intelligent way. The offerings that come from local elevators must fall into a few grades, because they only have a few bins and their facilities and methods of keeping the grain separated are so limited that naturally they can not reflect at the local points the quotations you speak of.

Mr. KINCHELOE. Are these grades fixed by law or through the administration of the Bureau of Markets?

Mr. YOUNG. It is done by the Bureau of Markets under the authority of the United States grain standards act.

Mr. KINCHELOE. Then it is not fixed by law at all?

Mr. YOUNG. Yes—

Mr. KINCHELOE (interposing). I mean that the law does not specify the number of grades.

Mr. YOUNG. No.

Mr. KINCHELOE. That is fixed in the administration of the law?

Mr. JONES. But pursuant to the general law which has been enacted.

Mr. YOUNG. The present grades could be changed if they wished to do it, but that seems to be harder to change than the law of the Medes and Persians. Certain gentlemen having fixed these grades a few years ago are either too proud or too stubborn to change them.

Mr. KINCHELOE. I live in a fall-wheat country, and I am very familiar with that, but I am not familiar with your country. How many grades of spring wheat have you in the Northwest? Starting out with No. 1 as the best, I presume, how many different grades do you have?

Mr. YOUNG. A great many.

Mr. JONES. Your contention is that the present grading system is in the interest of the miller and the ultimate buyer rather than the producer?

Mr. YOUNG. Oh, I think so; yes. I would not say in the interest of all millers. I think there are some millers, especially at great distances from the field, perhaps, who will not get any special advantage out of it.

Mr. SINCLAIR. Millers who own elevators in connection with their mills can take advantage of this situation, can they not, Mr. Young?

Mr. YOUNG. I do not know that they can take advantage of it any better than anybody else. It is a system that naturally lends itself to the local elevator playing safe. The local agent has to get rid of his stuff after he buys it, and this complicated system works out in such a way that he is afraid really to act upon his own best judgment as to how much to pay. Very often it is not a question of crookedness on the part of the local agent. He may want to do about the right thing, but he has got to get rid of his grain after he buys it, and one of the penalties of the national grades is for mixing it. One of the reasons why they degrade is on account of mixing, and how in the world is he going to keep it from getting mixed in his little elevator when he has not enough bins to keep it separate?

Mr. JONES. In your judgment, who really gets most of the benefit of this tremendous spread between the producer and the man who ultimately grinds the wheat into flour by virtue of this grading down on account of these technicalities?

Mr. YOUNG. I do not know that I would hazard a close guess on that. The one big outstanding fact is that the fellow who sells the wheat does get "soaked." That is one thing they are dead sure of.

Mr. JONES. I think that is very true in a number of instances.

Mr. YOUNG. As to who gets the benefit of it, or a part of it, or the particular portions, or the percentages, I would not dare to say offhand.

Mr. CLARKE. I would like to ask you one question, Mr. Young.

Mr. YOUNG. Senator Ladd wants to go on this morning, and I have to get back to my committee, Mr. Chairman.

Mr. CLARKE. I would just ask you one question. It is my understanding that the Secretary of Agriculture has proposed to thoroughly investigate and report on this proposition of grades along later this year. Could he not through regulations effectuate exactly the things you are trying to cure by legislation?

Mr. YOUNG. He could, but he is not going to do it for this year. That is dead sure, because he says he is not going to do it. Now, what he is going to do for some other year I do not know.

Mr. CLARKE. He has proposed to do it this year.

Mr. YOUNG. I understand you are going to have some representatives of the Bureau of Markets up here this morning, and perhaps you can find out when they get here what kind of advice he is going to get from them about next year. I rather think you will find that when they get here they will tell you that these grades are all right, and if they tell you so they will tell him so next year. There will be a dozen fellows go in to see the Secretary with double lens glasses on and with highbrows who will claim they know all about this; and they will say to him, "Mr. Secretary, these are the standard grades you ought to stick by and do not let any man who comes down here with a suspicion of the cow barn on him tell us scientists what we ought to do about this matter, because we know more about it than they do."

Mr. CLARKE. I think that attitude is entirely wrong. I think we have a Secretary of Agriculture who will lend not only an interesting but an intelligent ear to the proposition as a whole. He knows as a result of this investigation that there is something radically wrong with the thing, and I believe you can expect as much intelligent regulation from the Secretary of Agriculture as you can expect intelligent legislation from us.

Mr. YOUNG. I will tell you right now that you can never raise an issue with me in respect to the ability and high standing of the present Secretary of Agriculture, a man whom I esteem very highly. He is a splendid Secretary, to my mind the best we have ever had, but there is no Secretary—

Mr. CLARKE (interposing). By your own statement you are questioning his ability.

Mr. YOUNG. No; I am not.

Mr. CLARKE. You are questioning his ability to grapple with and solve this problem.

Mr. YOUNG. I question the ability of any Secretary of Agriculture, the present Secretary or any other Secretary we have had in the past

or will have in the future who has a multitude of things to do and who must to a certain extent rely upon the advice of the Bureau of Markets, to give us the kind of relief we are seeking out in the Northwest.

Mr. CLARKE. I am perfectly willing to put the statement in the record that I believe that a man of the intelligence and experience of our present Secretary of Agriculture is as able, if not more so, through regulations, to meet this problem than we are through legislation.

Mr. JACOWAY. Mr. Young, my friend, Mr. Clarke, has put a statement in the record—

Mr. YOUNG (interposing). I do not question the ability of the present Secretary at all, nor his honesty, nor his great desire to do the right thing in every case, but naturally he has got to rely on the advice of somebody, and in the past we have found that those of us who come here from the Northwest and who are right up against these practical conditions out there are brushed aside because we are not experts. We have not spent years in getting a number of degrees as doctors of science, etc.

Mr. CLARKE. That is beside the issue.

Mr. YOUNG. It is not beside the question at all, for the very reason that every Secretary up to the present one, and including the present one, has absolutely turned us down. Now, your idea is that we should keep on being turned down here just to find out whether we are going to get any relief or not.

Mr. JACOWAY. I want to ask Mr. Young a question.

The CHAIRMAN. Mr. Young, are you through?

Mr. YOUNG. Yes, sir; I am overdue at another committee meeting.

Mr. JACOWAY. I want to ask a question.

Mr. STEENERSON. I simply want to ask Mr. Young to furnish those figures about the Grain Corporation which you referred to the other day. He says he has them and I will furnish them later.

The CHAIRMAN. What figures are you referring to?

Mr. STEENERSON. About the profits of the Grain Corporation.

The CHAIRMAN. What we want to know is the highest and the lowest spread.

Mr. STEENERSON. I have that information right here. The spread that was ordered at the meeting in New York when Mr. Young, Senator Ladd, myself, and others were there, was 32 cents between No. 1 and No. 5, and the order reduced it to 14 cents as the spread between No. 1 and No. 5. It was 32 and it was reduced by Mr. Barnes to 14.

Mr. JONES. Can you not simply put that statement in the record?

Mr. STEENERSON. Yes.

The CHAIRMAN. What was the spread previous to that time?

Mr. STEENERSON. Thirty-two cents.

The CHAIRMAN. All the time?

Mr. STEENERSON. All the time.

The CHAIRMAN. My understanding is, the spread while the grain was being marketed by the farmer was 44 cents and afterwards cut down to 14 cents.

Mr. STEENERSON. Yes.

The CHAIRMAN. The farmers suffered a loss of the difference between 44 cents and 14 cents, and the speculator got the benefit of it. Is that right?

Mr. STEENERSON. Yes.

The CHAIRMAN. And you have a statement there?

Mr. STEENERSON. Yes. Mr. Young has promised to send me a copy of it and I have it quoted in some remarks I made some time ago.

Mr. JONES. Can you not put that in the record?

Mr. STEENERSON. Yes.

(The statements referred to follow:)

WASHINGTON, D. C., June 28, 1921.

To the MEMBERS OF THE AGRICULTURAL COMMITTEE.

GENTLEMEN: The following are the changes from the Federal standards on spring wheat provided for in H. R. 7401, introduced by Mr. Steenerson, showing the Federal standards and the modifications asked for:

Moisture requirements.

Grade.	In present Federal grades.	In H. R. 7401.
No. 1.....	14.0	14.5
No. 2.....	14.5	14.5
No. 3.....	15.0	14.5
No. 4.....	16.0	14.5
No. 5.....	16.0	(1)

¹ Grade 5 eliminated.

Sample: All moisture over 14.5 per cent to be designated on grade certificate and shall not affect the grade.

Test-weight requirements.

Grade.	In present Federal grades.		H. R. 7401.	
	H. R. spring.	Durum.	H. R. spring.	Durum.
No. 1.....	58	60	57	58
No. 2.....	57	58	55	56
No. 3.....	55	56	53	54
No. 4.....	58	54	50	51
No. 5.....	50	51	(1)	(1)

¹ Grade 5 eliminated.

H. R. 7401 provides that all foreign material in wheat, except rye, shall be made dockage and provides for the amount of rye to be allowed in the different grades.

Rye allowed.

Grade.	By present Federal grades.	By H. R. 7401.
No. 1.....	1	2
No. 2.....	2	3
No. 3.....	3	4
No. 4.....	5	5
No. 5.....	7	(1)

¹ Grade 5 eliminated.

Sample: Over 5 per cent carries into sample grade.

H. R. 7401 provides that "dockage shall be designated on grade certificate, but shall not affect the grade of the Federal grades for wheat is eliminated in H. R. 7401.

Subclass red spring is marketed, as it is taken care of in northern spring. Red (Practically up 1.3 per cent of the wheat received in public elevators in Minneapolis spring; and in 1920 but 0.3 per cent. It made up 0.7 per cent of the wheat received at North Dakota elevators in 1919 and 1920.)

The present Federal grades on wheat provide for five grades and sample grades. H. R. 7401 provides for four grades and sample grade, thereby reducing the number by eight."

Copy of order of the United States Grain Corporation governing spread in price between No. 1 and lower grades of wheat:

NEW YORK, N. Y., August 27, 1919.

Congressman GEORGE M. YOUNG,

House of Representatives, Washington, D. C.:

After two days of consideration of the problem raised in respect to this year's crop by the large percentage of the crop suffering from the effects of adverse weather during the growing season, the Grain Corporation is to-night issuing through its various zone offices to the 20,000 licensed buyers of wheat from the producers a complete scale of discounts for lower grades of wheat. These discounts are calculated to give the producer the benefit of every doubt as to the relative value of light-weight wheats in order to protect as far as possible those producers in wide sections that have suffered unfavorable crop developments with the production of an unusual quantity of lower-grade wheat. This scale is effective September 2, and all dealers will be required to pay producers not less than the proper country point reflection of the terminal guaranteed price for No. 1 wheat and with the relation for other grades, as follows:

Grain corporation buying scale grade discount No. 2 wheat 3 cents under No. 1.

No. 3 wheat, 3 cents under No. 2.

No. 4 wheat, 4 cents under No. 3.

No. 5 wheat, 4 cents under No. 4.

For all wheat otherwise conforming to the specifications of No. 5 or better, but deficient in test weight, discount No. 5 price 3 cents for each 1 pound deficiency in test. Wheat grading below No. 5 for reasons other than deficiency in test weight shall be bought on its relative merits. Smutty wheat to be discounted from 2 cents for slightly smutty to larger discounts, according to degree of smut. Mixed wheat will be taken at discounts ranging from 2 to 5 cents, according to quality, in the judgment of each vice president. Mixed wheat and rye grading mixed grain will be discounted as follows: Estimate the average value of the wheat and rye separately at their proper value and in their proper proportion (figuring the rye at 60 pounds per bushel), make allowance for dockage or other inseparable foreign material, and make such deduction as seems justified, but not less than 5 cents per bushel as a penalty for the mixture. Garlicky wheat to be discounted 2 cents.

SMITH,
Secretary to Wheat Director.

NOTE:

Spread between grades.

Between.	Under ruling by Grain Corporation, Aug. 27, 1919.	At present June, 1921, local markets.
1 and 2.....	3 cents.....	10 cents.
2 and 3.....	...do.....	Do.
3 and 4.....	4 cents.....	14 cents.
4 and 5.....	...do.....	10 cents.

Average price for No. 1, dark northern spring, at Minneapolis for September, 1919, was \$2.53.

Average price June 16 to 18, 1921, was \$1.77.

Government fixed price at Minneapolis for 1919, was \$2.23½.

~~GRADES FOR SPRING WHEAT.~~~~[From the Warroad (Minnesota) Pioneer.]~~~~HIGHER GUARANTEED PRICE FOR LOW-GRADE WHEAT.~~

Julius Barnes, head of the United States Grain Corporation, has arranged a change in the guaranteed price on the lower grades of wheat, which will mean a change of many million dollars to the farmers of the Northwest.

The present spread in prices is 32 cents between No. 1 and No. 5 wheat. The new order reduces this spread to 14 cents, the new arrangement being No. 2 at 3 cents less than No. 1; No. 3 at 6 cents less than No. 1; No. 4 at 10 cents less than No. 1; No. 5 at 14 cents less than No. 1.

The change resulted from a hearing in New York last week, called by Congressmen representing the wheat growers of the Northwest, and attended by the three North Dakota Congressmen, Steenerson, Volstead, and Anderson, of Minnesota, and Riddick of Montana, and of numerous State officials, representatives of farmers' organizations, and grain experts from the Northwest.

Another interesting result of this hearing is that the much-discussed question of whether poor wheat will make as much flour as good wheat per bushel seems to have been answered, and the figures secured showing the exact difference, as far as the experts are able to figure it out, have been agreed on.

In giving the figures we shall omit the fractions of pounds and of cents, which are confusing to the average reader, and give it in even figures, which are close enough for all practical purposes.

Sixty pounds of wheat weighing between 51 and 52 pounds to the measured bushel will yield 64 per cent flour and 35 per cent feed, 1 per cent being lost in the milling. The value of the finished product will be \$2.22 in flour and 50 cents in feed; total, \$2.72.

Sixty pounds of wheat weighing between 52 and 53 pounds to the bushel measure will yield 65 per cent of flour and 34 per cent of feed; flour value, \$2.24; feed value, 49 cents. Total, \$2.73.

Sixty pounds of wheat weighing 53 to 54 pounds to the bushel will yield 66 per cent flour and 33 per cent feed, valued at \$2.29 for the flour and 47 cents for the feed. Total \$2.76.

Sixty pounds of wheat weighing 54 to 55 pounds to the bushel yields 68 per cent flour and 31 per cent feed, valued at \$2.33 for the flour and 44 cents for the feed. Total, \$2.77.

Sixty pounds of wheat weighing 55 to 56 pounds to the bushel yields 68 per cent flour and 31 per cent feed, the value of the flour being \$2.34 and feed 44 cents. Total, \$2.78.

Sixty pounds of wheat weighing 56 to 57 pounds to the bushel yields 69 per cent flour and 30 per cent of feed, valued at \$2.39 for the flour and 42 cents for the feed. Total, \$2.81.

Sixty pounds of wheat weighing 57 to 58 pounds to the bushel yields 70 per cent of flour and 29 per cent of feed, valued at \$2.42 for flour and 41 cents for feed. Total, \$2.83.

Sixty pounds of wheat weighing 58 to 59 pounds to the bushel yields 71 per cent of flour and 28 per cent of feed, valued at \$2.45 for flour and 40 cents for feed. Total, \$2.85.

Sixty pounds of wheat weighing 59 to 60 pounds to the bushel yields 71 per cent flour and 28 per cent feed, valued at \$2.46 for flour and 40 cents for feed. Total, \$2.86.

The measure of value used is flour at the market price of \$11.25 per barrel and feed at \$48 per ton, which was the actual price at the time of the hearing.

Another very interesting fact was brought out by Mr. Steenerson in his closing argument in behalf of the wheat growers. He pointed out that in the past the Northwestern wheat has commanded a premium of about 20 cents over soft wheat, for the reason that it was generally so rich in gluten that it could be mixed with soft wheat, so as to make a high-grade patent flour from the mixture; that soft wheat alone contained so much starch that the loaf made from it was small and heavy and lacked palatability that makes the hard-wheat bread so valuable, and for this reason the light-weight hard wheat raised this year had an additional value for mixing purposes over and above its intrinsic value, especially because the winter wheat this year is unusually weak in gluten and needs this mixture more than in any ordinary year.

The CHAIRMAN. Senator Ladd, we will now be pleased to hear you.

STATEMENT OF HON. EDWIN F. LADD, A SENATOR FROM THE STATE OF NORTH DAKOTA.

Senator LADD. Mr. Chairman, and gentlemen of the committee, I want to state first that I have been a consistent and persistent worker for Federal control. I did everything I could to help secure the enactment of the present Federal law and the establishment of Federal grades, and I am still thoroughly in sympathy with Federal grades; but I am displeased with the treatment that the farmers in the spring-wheat belt of the Northwest have received under the present system; and, as has already been said, under four Secretaries of Agriculture, instead of three, we have endeavored to secure better recognition and the establishment of what the farmers feel would be more just grades for the Northwest.

The very fact that all the farmers, practically, of the Northwest have united and for the past five or six years have stated that the grades were unfair and unjust and the fact that there has never been among the farming mass a voice raised in favor of these grades, and the fact that the millers and the grain speculators have persistently stated that these grades are satisfactory to them, ought to be sufficient reason to cause an investigation to determine whether the grades are right or not.

The farmers have never been given fair recognition. I know that, because I have been before the committee and before the Secretaries or before their representatives in the past, and they have never been used or treated fairly; and two men representing the millers and the speculators of this country will have more influence in determining the grades than all the farmers that have appeared, because they are able to present their array of facts and information in a way that has appealed more fully than the farmers, who are disorganized, or have been in the past, to present their facts.

I feel that very frequently the lower grades are worth more than some of the higher grades and will sell on the market at a cash sale above the higher grades; that is, the No. 3 or No. 4 will often sell above the No. 1 or No. 2, and the milling value and the bread-producing quality we have demonstrated at the agricultural college repeatedly as being superior. The grades, finally, ought to be determined only on the milling and bread-producing quality, and when that time comes we would have then a more satisfactory method.

There are too many grades. I have myself insisted that three grades were enough in all of our investigations at the agricultural college. Four grades is what most of them have attempted to have, together with a sample, a lower weight, and everything that is in the wheat outside of the rye considered as dockage.

They talk about cockle and other things as being inseparable. They are not inseparable at the mills or where they have the facilities for cleaning grain, as they have in the mills where this wheat is used.

Mr. CLARKE. Doctor, you prefer to have three grades instead of four grades?

Senator LADD. I certainly would. I would readjust on the basis of three grades with a sample, but I am aware that the farmers are satisfied with four grades; but I maintain, from the results of 20 years of experience and experimental work conducted by myself and

my associates in North Dakota, that three grades with a sample would be all that would be necessary or desirable.

Mr. STEENERSON. That would be four grades.

Senator LADD. That would be four grades, but you have five grades now, because you have four grades and a sample.

Mr. KINCHELOE. Mr. Young, in answer to my question, stated they had anywhere from 50 to 60 grades.

Senator LADD. Yes; that is right, when you take into consideration the different varieties and strains of wheat. You have six under each grade, and then you have various subdivisions, and of course you would have to have a large number of bins if you attempted to keep each one of them separately.

Mr. KINCHELOE. Senator, how do you account for the position taken by the Secretary of Agriculture, especially the last two secretaries, not including the present one, who are from the Northwest?

Senator LADD. In the first place, they were not from a wheat-producing State and they were not from the spring-wheat belt, and they know nothing about that, and Mr. Houston was not from a grain section.

Mr. KINCHELOE. I am talking about Secretary Meredith and the present Secretary.

Senator LADD. Secretary Meredith was there for too short a time to give any careful consideration to the matter, and the Secretary of Agriculture must naturally take the information that comes to him, and the two or three men, usually two, representing the Grain Milling Association and the speculators will have more influence together with the Bureau of Markets—and I have no sympathy with the management of the Bureau of Markets as it has been conducted in the past. I will say that frankly with reference to some of the men who have been in the Bureau of Markets. I am not speaking of the present incumbents. I have been insulted by them myself and I know what the farmers have had to put up with.

Mr. KINCHELOE. Has there been any change of the personnel of the Bureau of Markets under the present Secretary?

Senator LADD. No, sir; but there was a change before that time, and some of the men who were in there are now out. I am speaking very candidly what I know to be the facts.

The CHAIRMAN. Senator, in your opinion, will the proposed changes provide a remedy for this situation?

Senator LADD. They will. They will give the farmer of the Northwest better returns and fairer returns and do no injustice to any honest concern, and I am not concerned about the speculators.

The CHAIRMAN. You have examined this bill, H. R. 7401, introduced by Mr. Steenerson?

Senator LADD. I have. I have a copy in my pocket, and I have examined it carefully.

The CHAIRMAN. And you approve of it?

Senator LADD. I approve of it. I do not know that I have any further statement to make.

I may say that I regret that it becomes necessary to introduce a bill of this kind. It ought to come through the Department of Agriculture and through changes there, but, as has been said, for years they have tried to bring about a change in that way, but the Secretary of Agriculture—and I am not blaming the present Secretary of Agri-

culture, because I believe he is absolutely sincere and honest in his efforts, but he must be guided by those who are making the reports and investigations, and they are not familiar enough with the hard spring wheat of the Northwest, in that limited area of country, and have been influenced because of the large amount of data introduced by the grain millers and the grain speculators; and this is a speculative arrangement rather than an arrangement for the producer.

Mr. STEENERSON. Senator, in connection with your work as head of the Agricultural College of the State of North Dakota, did you have a flour mill there?

Senator LADD. Yes, sir. We had a flour mill and we had chemists and we had millers and we had bakers, and we kept the investigations going for some time. We have a 44-flour mill with a capacity for making 44 barrels of flour in 24 hours. It is one of the Allis-Chalmers mills which is just the same as they have in these large mills, only it is made on a smaller scale, and our investigations were carried on in exactly the same way and checked up with the practical operation of the mills themselves.

Mr. JONES. Senator, there has been a good deal of testimony here to the effect that by technically grading down some of this wheat, they have varied the price 30 or 40 cents a bushel. Now, in your judgment, for the most part, who gets the benefit of that spread where wheat is technically graded down because of a little excessive moisture or a little foreign matter getting into it.

Senator LADD. The farmer loses it all, the speculator makes it, and the consumer pays for it.

Mr. JONES. You say the speculators; just who are you referring to there?

Senator LADD. Those that stand between the producer and consumer.

Mr. JONES. You mean the commission men?

Senator LADD. Probably, largely commission men, and those who manipulate and handle it.

Mr. JONES. As a rule, that would not be the local buyer?

Senator LADD. No; not necessarily the local buyer. The local buyer, however, buys in accordance with the card that is sent to him, but that same product is not sold, when it gets the terminal market, under that same grading. For instance, in 1916, they made a special grade that they bought at the local markets called feed, A B C and D, but when that reached the terminal market, not one bushel of it was ever sold under that same grade. It was sold under the grades of the Federal Government.

Mr. JONES. So it is your contention that somewhere along the line somebody took that wheat that he had technically graded low and managed to get it up to a higher grade when he sold it on the terminal market.

Senator LADD. Absolutely, and in 1916 they made, according to my estimate in connection with the work we did at the Agricultural College, an average, comparing the true milling value with what the farmers received, of 70 cents a bushel, or \$30,000,000 that they cleaned up on the farmers of Minnesota, North and South Dakota, without any benefit to the consuming public or to the farmer.

Mr. JONES. Did they do that largely by virtue of a mixing or a cleaning process, or just what did they do?

Senator LADD. They graded it down in these grades, A B C and D, which was feed, and told the farmers that that would not make good bread and could only be used for feed. The millers then went to work, and after they got it made into flour, they put a little label in every sack and sent postcards all over the country stating, "The wheat this year makes flour exceedingly strong in gluten; absorbs a large amount of water, and makes a large loaf of nutritious and valuable bread."

Mr. JONES. Did the millers change that wheat; that is, did they clean it or was it cleaned by the elevator man?

Senator LADD. It may be cleaned either way. It may be cleaned by the local elevator man, if he has the machinery, or it may be cleaned at the terminal market or by the miller.

Mr. JONES. In your judgment, where is it usually cleaned?

Senator LADD. At the terminal elevator.

Mr. JONES. Then the terminal elevator owner for the most part got the benefit of that spread, did he not?

Senator LADD. I would want to go into quite a discussion if I was going to tell who got it then or who got it this last winter.

Mr. JONES. I think that is rather important.

Mr. CLARKE. Senator, how much expense was involved, on an average, in the retreating of that wheat in order to get out these impurities?

Senator LADD. Probably not to exceed 1 cent a bushel. We fixed a rate of 2 cents, and I have been told by the men who are cleaning it that they could make big money if they could have 1 cent a bushel and do it continuously.

Mr. JACOWAY. Senator, you have been cooperating with Senator Sullivan in this matter, have you not?

Senator LADD. I do not know that I have been cooperating with any of them. We have been working with them.

Mr. JACOWAY. I mean that you have been working with him.

Senator LADD. Yes.

Mr. JACOWAY. He knows your ideas on this matter?

Senator LADD. I do not know as to that.

Mr. JACOWAY. What I am trying to get at is whether you have read the bill, interlined and amended, to meet the situation as explained here yesterday by some gentlemen who came before the committee?

Senator LADD. No; I have not. I have not examined the amended bill.

Mr. STEENERSON. That is the last print of the bill which I gave you a few moments ago.

Mr. SINCLAIR. It has only been amended in a technical way. In principle it is the same thing.

Senator LADD. Then I agree with it.

Mr. JACOWAY. What I am trying to get at is whether you approve that bill.

Senator LADD. I approve of the bill as I have seen it and have studied it all the way through.

Mr. JACOWAY. And you think that that will bring about the relief desired?

Mr. LADD. I think it will.

Mr. JONES. Now, Senator, there is just one other question I would like to ask you. Is there not a great deal of competition in the buying of this wheat?

Senator LADD. No.

Mr. JONES. Why not? There is a demand for wheat, is there not?

Senator LADD. You have got two elevators or three elevators or four elevators or seven elevators in town, and there is no competition between them.

Mr. JONES. Why not? Are they all owned by the same people, or are they all in cahoots?

Senator LADD. The whole thing is done by one man, Durand, under the director of the Chamber of Commerce of Minneapolis, and a post card goes out every day and that tells them what to pay and they pay it.

Mr. JONES. And that goes out from one place?

Senator LADD. Yes.

Mr. JONES. Could not those people be reached under the Sherman antitrust law?

Senator LADD. They ought to have been a long time ago, in my judgment.

Mr. JONES. Has any effort been made to bring these facts before the proper authorities?

Senator LADD. I think the Federal Trade Commission has made an investigation and has given out, in part, a report. I am not sure but what active steps are being taken to correct some of the evils.

Mr. JONES. If they have that kind of an arrangement now, how would the changing of the grades keep them from controlling the price if that practice is not broken up? The changing of the grades would not keep them from doing that. If one concern or a combination of concerns under one head is buying all the wheat, I do not see how you could keep them from dictating the price by simply changing the grades.

Senator LADD. You are now going to draw me into a discussion of cooperative marketing.

Mr. JONES. I am a thorough believer in cooperative marketing, I can assure you.

Mr. SULLIVAN. Right on that point, may I say in answer to the question, that at the present time the grade that goes out with the prices on the chamber of commerce does not reflect anything about the elements that go into making up the price.

Senator LADD. Not at all.

Mr. SULLIVAN. And under this bill sales would be made on a grade that would note the dockage and would note the foreign element and the moisture, etc.

Senator LADD. Yes, sir.

Mr. SULLIVAN. And those sales being reported in the country districts would tell the farmer what he ought to get for his wheat.

Senator LADD. Yes; and he would know and would have information on which to base his judgment.

Mr. KINCHELOE. But how would you stop this collusion that Mr. Jones refers to?

Mr. JONES. Yes; that is what I am trying to get at.

Mr. SULLIVAN. If you understood my question and if you understood the effect of it—

Mr. JONES (interposing). I understood your question and understood the effect of it.

Mr. KINCHELOE. I understood your question perfectly.

Mr. JONES. What I am getting at is this: If you have a combination of people who are buying the wheat, it does not make any difference how you grade it nor what the farmer thinks he ought to get for it, the whole proposition is what will that concern give, and they can give what they want to.

Senator LADD. That is not the problem involved at all. The question is that when there is a slight amount of dockage in there that they call inseparable, for example, they grade it way down. When that wheat gets to Minneapolis that material which is supposed to be inseparable is not considered in the matter at all.

Mr. JONES. That is a part of the collusion I am referring to. The way to remedy that is to stop these fellows from collusion in the purchase of the wheat because competition will bring the price of wheat to its actual value if you have competition.

Mr. STEENERSON. I would like to call attention to the fact that these grades are sent out indicating the price of the particular grades, but when the actual wheat arrives at Minneapolis, then there is competition and sometimes and very frequently No. 3 is sold for No. 1 prices, on account of its merits.

Senator LADD. Absolutely.

Mr. STEENERSON. You are mistaken if you think there is no competition in the selling of the wheat in Minneapolis.

Mr. JONES. Why do not the people at the terminal markets, if they are willing to pay 60 or 70 cents more for this particular grade of wheat, have their buyers out there to compete in the purchase of the wheat?

Mr. STEENERSON. We are simply explaining the facts as they are. The grades fixing the price—

Mr. JONES (interposing). Let us hear from the witness first. Is it not true, Senator, that the competition which Mr. Steenerson refers to, if it is competition, is competition wholly after it gets out of the hands of the producer.

Senator LADD. Absolutely.

Mr. JONES. Then why can you not make a case against these people for their collusion and conspiracy and manipulation in the purchase of the wheat originally?

Senator LADD. That has nothing to do with this bill whatever.

Mr. JONES. No; but you are trying to relieve a situation, and if what you say exists this can not relieve it, because the farmer will suffer under any grading bill which might be passed, if you are not going to have competition in buying from the producer.

Senator LADD. I will answer your question in just this way: The farmer, in spite of all grades, will suffer until he controls the product from his farm to the consumer. There is no question about that.

Mr. JONES. That involves the question of cooperative marketing with which I am thoroughly in accord, and I am glad to see that being brought about by the farmers and by the farmers' organizations; but still that will be cured out of the realm of this grading proposition.

Senator LADD. Yes; that has nothing to do with the grades and neither has the price anything to do with it. What the farmer is asking is that these grades be established so that he can understand

them and can get results at the local market and not at the terminal market.

Mr. KINCHELOE. Senator, suppose you have this bill enacted and the farmer can get that information, if there is a combine of a few elevators, either at his home or at the terminal market, and they are in collusion, how is that going to benefit the farmer, when he has no competitive markets?

Mr. SULLIVAN. The farmer can figure the freight and—

Mr. KINCHELOE (interposing). I am asking that question of the witness, if you please, sir. I am not asking you. You have talked several times.

Senator LADD. I am not dealing with that question at all. I am dealing with the fact that the farmer wants a grade that he can understand and one that is fair and just, and one that represents more nearly the milling value and the bread-producing value of the wheat.

Mr. KINCHELOE. I am not saying that the passage of this bill would not give the farmer more intelligent information by reason of having the right kind of grades.

Senator LADD. Yes.

Mr. KINCHELOE. But the point I am making is this, if there is no competition at his home station among his elevator people to whom he has to sell the wheat, then, of course, this legislation would not benefit him there, because he has no competition among the buyers.

Senator LADD. I do not agree with you at all.

Mr. KINCHELOE. How would this establish competition?

Senator LADD. It is not a question of competition. The question is one of getting a true grade and getting a grade that represents the milling value of the wheat, and not giving an opportunity to manipulate it to such an extent as in the past. Then he will get justice in the sale of the product that he sends to the market. Competition is entirely another question and one that is only going to be settled when the farmer controls his own products.

Mr. KINCHELOE. I think you are right about that.

Mr. JACOWAY. Senator, let me ask you one question: Is not this the gist of your testimony here this morning, the more grades you have the more chances you have for manipulation?

Senator LADD. Absolutely.

Mr. JACOWAY. That being so, you want to cut down the number of grades so there will be less opportunity for manipulation.

Senator LADD. Absolutely.

The CHAIRMAN. Senator, I understood you to say a few moments ago that certain cards were sent out from Minneapolis and that they all paid the prices indicated on the cards.

Senator LADD. Yes.

The CHAIRMAN. I take it you had reference to the line elevators?

Senator LADD. The line elevators.

The CHAIRMAN. That would not apply to the cooperative elevators or where the farmer shipped himself?

Senator LADD. Yes; it applies to the cooperative elevators, but the profits that come from that operation are prorated back among the farmers, and he gets the advantage of it. As a rule, they pay the same price.

The CHAIRMAN. Let me see if I understand you. If he sells it to a line elevator company, he does not get the benefit of the competition at the terminal.

Senator LADD. Not at all.

The CHAIRMAN. But if he ships direct or through his cooperative association he gets the benefit of the competition.

Senator LADD. Yes; he does.

The CHAIRMAN. And, as Mr. Steenerson says, there is competition at the terminal market?

Senator LADD. Yes; at the terminal market.

The CHAIRMAN. Then he gets the benefit of that, and if he ships No. 3 that is worth more than No. 1 he gets more for his No. 3 than the other man would get for his No. 1?

Senator LADD. Yes, sir.

Mr. CLAGUE. Doctor, I would like to ask just one question. What is now called inseparable material, such as kingheads and cockle, from your experience, can be removed without any great trouble?

Senator LADD. Not only can be, but they remove it at every one of the large mills.

Mr. SULLIVAN. Senator, is it not true that as a rule the local buyer takes the Minneapolis price that is put on the card for No. 1, No. 2, and No. 3 and deducts from that the freight and certain commissions charges and then pays the difference?

Senator LADD. Yes, sir.

Mr. SULLIVAN. So that we contend here that if the prices were made on the exchange on the grades that we establish in this bill that that grade would reflect back to the farmer the information that would enable him to determine accurately just what his particular wheat is worth?

Senator LADD. Yes, sir.

Mr. SULLIVAN. And he would ask that price for it—that is, the Minneapolis price—for that particular wheat less the freight and commission charges?

Senator LADD. Yes, sir.

Mr. SULLIVAN. And he could not be fooled about that price, could he?

Senator LADD. No.

Mr. SULLIVAN. Is not that really the benefit we expect to get out of this bill?

Senator LADD. Yes; that is the chief benefit from this bill.

Mr. JACOWAY. Senator, in your judgment, ordinarily speaking, how many middlemen are there between the man who produces the wheat and sells it and the elevator man?

Senator LADD. It is almost impossible to say; anywhere from 3 to 30.

Mr. JACOWAY. An average of 15, say?

Senator LADD. No; I would not say there was an average of 15, but there may be anywhere from 3 to 30 speculators all along the line.

Mr. JACOWAY. Now, there are some necessary middlemen.

Senator LADD. Yes, sir.

Mr. JACOWAY. In your judgment, how many of these unnecessary middlemen can be cut out in order to reduce the overhead charges spoken of here by Senator Sullivan?

Senator LADD. To get it to the manufacturer?

Mr. JACOWAY. Yes.

Senator LADD. There is only one middleman who is absolutely necessary.

Mr. JACOWAY. And you could cut out all these unnecessary middlemen to whom you have referred except that one?

Senator LADD. Not without cooperative organization on the part of the farmers.

Mr. JACOWAY. Leaving out the question of the cooperative organizations of the farmers, how many could you cut out?

Senator LADD. That would be difficult to say.

Mr. JACOWAY. Approximate it or make a guess at it.

Senator LADD. I do not like to do any guessing about such matters.

Mr. JACOWAY. You have got to guess at it in the final analysis because we have got to do some guessing here in framing this bill.

Senator LADD. I do not believe there is any necessity for more than two middlemen in order to get it into the hands of the consumer.

Mr. KINCHELOE. Now, that brings up another proposition. In what way would this legislation cut out these extra middlemen that you speak of?

Senator LADD. There would be less chance for speculation on the grades. For instance, they came into North Dakota a few years ago and they would buy one bushel of velvet chaff wheat which weighs from 62 to 64 pounds a bushel, and they told the farmers that it would not make good flour and cut the price down 7 cents. Then they bought one bushel of No. 2 and one bushel of No. 3 and cut those prices simply because they did not weigh quite enough.

Mr. KINCHELOE. That is, the same buyer?

Senator LADD. The same buyer. They get that wheat, and lo and behold, when it gets to Minneapolis the three bushels have got mixed together and you have three bushels of No. 1 northern wheat.

Mr. KINCHELOE. I can see the abuse involved but I am talking now about eliminating those middlemen. In what way will this legislation do that?

Senator LADD. It will not necessarily do that. I say it can eliminate them by making less grades and making less chance for manipulation and providing for less profits.

Mr. KINCHELOE. That is true; but I am talking about the manipulators through whose hands the wheat goes.

Senator LADD. I say the number can be cut down to two, and if the farmers handle it, it can come down to one, but that is a question entirely outside of this bill.

The CHAIRMAN. Just one further question, Senator. Did I understand you to say that the Grain Corporation made \$20,000,000 in one year?

Senator LADD. No; I did not make that remark at all, Mr. Chairman.

The CHAIRMAN. The report I have here states that they made \$50,000,000 in the three years from September 1, 1917, to May 1, 1920. That represents the profit to the Grain Corporation?

Senator LADD. That is my understanding.

The CHAIRMAN. And in addition to that, the farmers lost in the difference in the spread which was narrowed down after the wheat had passed into the hands of the speculators.

Senator LADD. Yes, sir.

Mr. O'NEILL. Mr. Chairman, I would like just a minute or two in order to answer those questions in regard to the effect of that price card on the prices paid the farmer.

Mr. KINCHELOE. Mr. Chairman, so far as I am concerned, I want to be on the floor of the House by 12 o'clock. We have heard from these gentlemen two or three different times, and I would like now to hear from the Bureau of Markets.

The CHAIRMAN. How long will it take?

Mr. O'NEILL. Just a minute or two. I want to say for the information of my friend from Texas, and also for this gentleman's information, that by this bill we do not expect to cure all of these evils, but we do want to reduce them to the irreducible minimum.

When this price card is sent out to the country elevator—I am a farmer, and I haul my grain to the elevator—and he uses that price card, and on that price card he puts a price for 1, 2, 3, 4, and 5 wheat. The Bureau of Markets puts in those grades the specifications and qualifications absolutely necessary to conform to those grades, and he knows them all, and must know them all and should know them all, and has a copy of each one. Now, when the farmer brings that load of wheat and it has these substances in it, that will lower the grade and lower the price 5 cents a bushel, and we want those foreign substances taken out so that the farmer will get that other 5 cents. That is all there is to it.

Mr. KINCHELOE. I thoroughly understand that. That has been explained here several times.

Mr. STEENERSON. Mr. Chairman, how much time does the Bureau of Markets expect to occupy? Mr. Manahan is here and would like to have a few moments, but I do not want to interfere with the program of the committee.

Mr. KINCHELOE. Let us hear from the Bureau of Markets now while we have the time do do so.

The CHAIRMAN. How much time do you want, Mr. Manahan?

Mr. MANAHAN. I only want a few minutes, but I will wait until after the Bureau of Markets, because I may want to answer some of the things which they will state.

STATEMENT OF MR. H. J. BESLEY, IN CHARGE OF THE GRAIN DIVISION OF THE BUREAU OF MARKETS, DEPARTMENT OF AGRICULTURE.

Mr. BESLEY. Mr. Chairman, I am here solely for the purpose of answering questions and not representing the department in connection with the bill in any way whatsoever. The Secretary, as you probably know, is out of town, and I understood that you had been notified that he would return late Thursday or early Friday morning and would be very glad to appear before you.

The CHAIRMAN. Do you mean to-morrow morning?

Mr. BESLEY. Yes. I think he will be back either late to-morrow night or early Friday morning.

Mr. CLARKE. How long have you been connected with the Government service in this particular branch?

Mr. BESLEY. Since 1910.

Mr. CLARKE. How long have you been familiarizing yourself with the questions involved in this investigation and in the hearings here?

Mr. BESLEY. Until 1916, when the grain standards act became effective, I was doing investigational work in connection with the fixing of standards for all grains.

Mr. KINCHELOE. How much experience have you had in the grading of grain and especially spring wheat?

Mr. BESLEY. Practically since 1908. I was employed for two years by the South Dakota Experiment Station before I came with the Government.

Mr. KINCHELOE. So you have had actual experience and have been out on the ground and have seen wheat grown and threshed and put in elevators and manufactured into flour; have you not?

Mr. BESLEY. Yes, sir.

Mr. KINCHELOE. Are you familiar with this bill?

Mr. BESLEY. I have not read it carefully. I am familiar with the fundamentals, I think, of the proposed changes.

The CHAIRMAN. Can you state what the standards were before these Federal standards were fixed and in what respect they differ from the standards then in existence.

Mr. BESLEY. I think I can do that, Mr. Chairman, quite concisely.

The CHAIRMAN. We have a table here indicating the present Federal grades and the grades proposed under H. R. 7401. Now, if we might have the standards prior to that time, we would have the whole matter before us.

Mr. BESLEY. It becomes somewhat of a question to know just how to answer—

The CHAIRMAN (interposing). Will you supply the committee with that?

Mr. BESLEY. May I suggest that I have a handbook here showing our standards? I can give one to each one of the committee.

(The matter referred to is as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE,
BUREAU OF MARKETS,
Washington, D. C., June 30, 1921.

Mr. L. G. HAUGEN,
Secretary, House Committee on Agriculture,
Room 452 House Office Building.

DEAR SIR: Herewith please find a pamphlet containing Minnesota grades for wheat which were in effect just prior to the establishment of Federal standards for wheat which became effective August, 1917. You requested that I furnish you a copy of these standards for the purpose of including the same in the record of proceedings before the House Committee on Agriculture on the Steenerson bill, H. R. 7401.

I have marked the inclosed pamphlet so as to indicate what you will probably wish to include in the record, that is to say, the Minnesota standards for northern spring wheat, beginning on page 2 and ending middle of page 3, also the standards for durum (macaroni) wheat, beginning middle of page 5 and ending the middle of page 6. The marked paragraph on page 12 under the caption "Manner of Testing and Grading" should also be inculded for the reason that the question of dockage determination and other important items in connection with wheat grading are included in this paragraph.

In the event that you do not wish to retain the inclosed pamphlet after it has served your poupose I should be glad to have it returned because these pamphlets are very scarce and we wish to retain this copy if possible in the department's records.

Very truly yours,

H. J. BESLEY,
In charge, Grain Division.

NORTHERN SPRING WHEAT.

No. 1 hard spring wheat shall be dry, sound, bright, sweet, clean, and consist of over 75 per cent of the hard kernels, and weigh not less than 58 pounds to the measured bushel.

No. 1 northern spring wheat shall be dry, sound, sweet, and clean, may consist of the hard and soft kernels of spring wheat and weigh not less than 57 pounds to the measured bushel, and shall not contain to exceed one-half of 1 per cent of wild vetch (wild peas) or kingheads, singly or combined, and not to exceed a total of 1 per cent of inseparable weed seed.

No. 2 northern spring wheat shall be dry, spring wheat, not clean enough or sound enough for No. 1, but of good milling quality and must weigh not less than 56 pounds to the measured bushel, and shall not contain to exceed 1 per cent of wild vetch (wild peas) or kingheads, singly or combined, and not to exceed a total of 2 per cent of inseparable weed seed.

No. 3 northern spring wheat shall be composed of inferior, shrunken spring wheat and weigh not less than 54 pounds to the measured bushel, and shall not contain to exceed 2 per cent of wild vetch (wild peas) or kingheads, singly or combined, and not to exceed a total of 4 per cent of inseparable weed seed.

No. 4 northern spring wheat shall include inferior spring wheat that is badly shrunken or damaged and weigh not less than 49 pounds to the measured bushel.

No-grade wheat: All spring durum and western wheat containing 15 per cent or more of moisture, or in a heating condition or otherwise unfit for store, shall be classed no-grade, with inspector's notation as to what grade same would be if in condition. For example: NG No. 1, NG No. 2, NG No. 3, etc.

Hard, flinty wheat of good milling quality, and containing no appreciable admixture of soft wheat may be admitted into the grades of No. 2 northern spring wheat, No. 3 northern spring wheat, and No. 4 northern spring wheat, provided weight of the same is not more than 1 pound less than the minimum test weight required by the existing rules of said grades: *And provided further*, That such wheat is in all other respects qualified for admission into such grades.

The variety of wheat known as "humpback," owing to its inferior milling quality, shall not be graded higher than No. 3.

The percentage of inseparable weed seed as stated above shall be carried only when the wheat is of sufficient superior quality to justify these additional defects.

DURUM (MACARONI) WHEAT.

No. 1 durum wheat shall be bright, sound, dry, well cleaned, and be composed of durum, commonly known as macaroni wheat, and weigh not less than 60 pounds to the measured bushel.

No. 2 durum wheat shall be dry, clean, and of good milling quality. It shall include all durum wheat that for any reason is not suitable for No. 1 durum and weigh not less than 58 pounds to the measured bushel.

No. 3 durum wheat shall include all durum wheat bleached, shrunken, or for any reason unfit for No. 2, and weigh not less than 55 pounds to the measured bushel.

No. 4 durum wheat shall include all durum wheat that is badly bleached or for any cause unfit for No. 3.

Red-berried durum, western soft durum, owing to their inferior milling quality, shall not be graded higher than No. 3.

The percentages of inseparable weed seed established for Nos. 1, 2, and 3 northern spring wheat shall also apply to Nos. 1, 2, and 3 durum wheat.

Sample grade wheat shall include all varieties of inferior wheat that is badly sprouted, very musty, badly bin burnt, fire burnt, badly damaged, infested with live weevil, or otherwise unfit for the higher grades.

Mixed wheat.—Eight per cent or more of spring wheat in durum, winter or western white or red wheat and 4 per cent or more of durum, winter, or western white or red wheat in spring wheat shall be graded Nos. 1, 2, 3, etc., mixed wheat.

MANNER OF TESTING AND GRADING.

Wheat, flax, and rye shall be tested and graded after it has been cleaned and the amount of foul seed or dockage determined. In testing, the test kettle shall be placed where it can not be jarred or shaken. From scoop, bag, or pan held or placed 2 inches from top of kettle, pour in the middle of same at a moderate speed until running over. Strike off in a zigzag manner with edge of beam held horizontally. All disputes as to

test weight shall be settled by using the testing device now in use by the Board of Appeals.

NOTE.—Wheat scoured or otherwise manipulated, the test weight will not be considered in grading same.

Mr. KINCHELOE. I would like to know your views upon this bill; whether it is a feasible and practicable bill, and whether the grades are better than those designated by the Bureau of Markets; and if not, why?

Mr. BESLEY. I would be glad to give my opinion personally, but, as I stated in the beginning, the Secretary, I am sure, would be glad to appear before the committee and answer in the way of advice to the committee on the proposed bill.

Mr. KINCHELOE. The reason I am asking you that, there have been some statements made here from authoritative sources that you fellows at the Bureau of Markets do not know anything about the grading of grain, and especially spring wheat. You say you have had years of experience in it and have lived out in that country, and have seen it and have had a lot of experience with spring wheat. I would like to have your opinion about it. In fact, I would take your opinion in preference to the opinion of the Secretary of Agriculture, because you may know more about it.

Mr. STEENERSON. He has had some experience, but—

Mr. TEN EYCK (interposing). You have asked him about his experience. I would like to know whether he has reaped and plowed and thrashed and elevated.

Mr. KINCHELOE. I asked him that before you came in.

Mr. TEN EYCK. No; I was here. And whether he has sold wheat and milled it; have you ever done that, sir?

Mr. BESLEY. All together, sir?

Mr. TEN EYCK. No; not all at one time.

Mr. BESLEY. I will state my experience, if you will allow me.

Mr. KINCHELOE. Yes, do that; especially as it pertains to spring wheat.

Mr. TEN EYCK. I will be satisfied with that.

Mr. BESLEY. I am country born, in northern Illinois; I had a high-school education, and also some university work in Wisconsin. My summers and vacations were spent in the country. Immediately after finishing in Wisconsin I accepted employment with the South Dakota Agricultural Experimental Station. I was there nearly two years.

Mr. STEENERSON. In what capacity were you working?

Mr. BESLEY. We were farming small experimental plots. That was the nature of our work. And we did all of the farm work pursuant to the investigations which were underway.

Mr. KINCHELOE. Was wheat included in that?

Mr. BESLEY. Wheat was included.

Mr. TEN EYCK. Spring wheat?

Mr. BESLEY. Spring wheat. After leaving South Dakota, I immediately entered the service of the Government, in January, 1910, and in December, 1916, when the grain standards act became effective, I was employed by the department in the investigation—I would rather say in the getting together of information and facts and correlating the same for the purpose of putting before the Secretary information which would permit him to fix standards for grain.

Mr. KINCHELOE. Did that include spring wheat?

Mr. BESLEY. Including spring wheat.

Mr. STEENERSON. That was office work, was it not?

Mr. BESLEY. No, sir; field work and office work.

Mr. JONES. Now, would you mind explaining, in a general way, the present standards, and why you think the different gradings are necessary, if you do think they are necessary?

Mr. BESLEY. If you will turn to page 6 in the little book you will find there, in a very condensed form, the grade requirements for hard, red spring wheat. I might say in the beginning that while the whole matter is certainly technical—that is, the matter of grading grain, I think there are only—that is, roughly—about four substantial things that the committee would be interested in in comparing the two sets of grades.

Mr. JONES. All right; let us have them.

Mr. BESLEY. Those four things are the test weight per bushel; the matter of moisture in wheat; the matter of dirty wheat—that is to say, whether wheat is clean or dirty; and, fourth, the proposition of mixtures of other wheat. That is a minor one and might well be left out. Substantially, there are only three: Test weight per bushel; moisture; and whether the wheat is clean.

Mr. JONES. Taking up that weight per bushel, is there a substantial difference between spring wheat that tests 57 pounds per bushel, and spring wheat that tests 58 pounds per bushel?

Mr. BESLEY. Our experimental work, and it shows up well with all the work that has been done on the subject, shows that there is a substantial drop in the amount of flour that may be produced from different test weight wheats per bushel. In other words, if you start at 60 pounds and draw a line through 59, and 58, and 57, and so on, and the percentage of flour that you get, you will find that the line is practically a straight line. Do I make that clear?

The CHAIRMAN. Yes.

Mr. STEENERSON. Do you mean that in each instance you grind 60 pounds; you do not grind 60 pounds?

Mr. BESLEY. I am not speaking, sir, of the amount we grind. I am speaking of the amount of flour obtained from a certain test weight wheat.

Mr. JONES. Is there any more flour from the 60-pound wheat than from the 58-pound wheat?

Mr. BESLEY. Exactly.

Mr. JONES. Is there any difference in the flour?

Mr. BESLEY. Our experience is that so far as the test weight per bushel is concerned, that is a criterion only from the standpoint of flour obtained. That is Dr. Ladd's point, that low grade wheat will make good flour, but you will not get as much from it as you do from the high-grade wheat.

Mr. JONES. From a low-grade wheat, how much in general will you get from 62 pounds or 58 pounds; just the 4 pounds difference?

Mr. BESLEY. I can show you a curve illustrating that.

Mr. JONES. Let us have it.

Mr. TEN EYCK. Do you mean to say that 59-pound wheat carrying a large amount of moisture will give more flour than a 58-pound bushel approximately dry?

Mr. BESLEY. I did not say that, sir.

Mr. TEN EYCK. You said in ratio to the weight per bushel; there are other things to be considered.

Mr. JONES. I was assuming that the moisture and other things are the same.

Mr. TEN EYCK. That was not stated in your question.

Mr. JONES. Assuming that everything is equal, the 60-pound wheat will make more flour than the 58-pound wheat?

Mr. BESLEY. Yes, sir.

Mr. JONES. Therefore, you think it is necessary to have a different grade for wheat on its different weights?

Mr. BESLEY. That is the reason for the test weight bushel being a factor in wheat. It has always been said that it was a prime essential.

Mr. STEENERSON. I do not think it is fair to say 62 pounds of wheat—

Mr. KINCHELOE (interposing). I think this witness should be allowed to testify.

Mr. JONES. I would like to examine the witness; I will be through in a minute. I do not think everybody should be interrupting. Gentlemen of the committee may ask questions, but people from the outside, it is difficult having them come in.

Now, the next thing you mention is the moisture?

Mr. BESLEY. Yes, sir.

Mr. JONES. Do you think moisture is a vital factor or element in the grading of wheat?

Mr. BESLEY. The factor of moisture is a very contentious factor; always has been, in any grades ever established. And I might say right here, for the information of the committee, that prior to the Federal standards, so far as wheat is concerned, there were various standards which were in effect and that were fixed either by States or chambers of commerce, or boards of trade throughout the country. Each had their own set of standards. That alone is the principal reason for the passage of the grain standards act, to have a uniform set. In all those standards the matter of moisture was considered, but not in definite, precise terms, such as are used in the present Federal standards. In other words, they said, for example, No. 1 wheat shall be dry, instead of saying how much moisture it should contain. That is true in all the standards. We departed from that practice because we thought it was not feasible to attempt to specify in such a general, broad way in any standards that the United States might adopt.

Mr. JONES. According to your standards, what is the highest moisture permitted in No. 1 spring wheat?

Mr. BESLEY. You will see here, 14 per cent is the limit.

Mr. JONES. What is the highest moisture permitted in No. 2?

Mr. BESLEY. It is right here, 14.5.

Mr. JONES. Do you think that 0.5 moisture is a very important matter in the actual value of wheat?

Mr. BESLEY. I think that the answer to that, sir, is this, that in fixing standards for wheat, if the moisture is going to be considered at all as a grading factor, it must be considered from the standpoint of what is reasonably safe for transportation and storage, and as near as the department has been able to ascertain—and I might say that our investigations have been substantiated by other investigators, including the State of Minnesota and Canada—14.5 per

cent, as near as may be expressed in one figure, is about the maximum limit for safety from the standpoint of transportation and storage.

Mr. JONES. If it is more than that it has to be shifted and stirred?

Mr. BESLEY. It is dangerous.

Mr. JONES. It is liable to heat?

Mr. BESLEY. Yes, sir.

Mr. JONES. And for that reason you think there ought to be a difference in the moisture?

Mr. BESLEY. Yes, sir.

Mr. JONES. Now, No. 3 is listed at 15 per cent moisture?

Mr. BESLEY. Yes, sir.

Mr. JONES. Is that considerably more likely to heat, if it is kept in bulk without stirring, than 14.5 per cent?

Mr. BESLEY. In our opinion, and I think it will be substantiated by other investigators, the minute you get over 14.5—to use that expression—you are enhancing the possibility or probability of that grain going out of condition, unless it is watched carefully.

Mr. JONES. Then it would make some difference in value, of course?

Mr. BESLEY. Well, of course—

Mr. JONES (interposing). On account of the danger and trouble of handling?

Mr. BESLEY. Yes, sir.

Mr. JONES. Now, do you think that the difference in the moisture and the difference in the weight, and the difference in the foreign particles that have been discussed here justifies the difference in price that has been shown here?

Mr. BESLEY. Absolutely no.

Mr. JONES. Why, in your judgment, is this difference in price measured by the actual buyer? I am trying to get at the heart of the real trouble there from your standpoint.

Mr. BESLEY. Well, that is a very hard question for me to answer, sir. I might say, of course, that the price paid for wheat and the discounts for lower grades, as you readily know and understand, is a matter over which we have no jurisdiction whatsoever. I do not know just how to attempt to answer your question. Will you let me approach it in this way—

Mr. JONES (interposing). Go ahead in your own way.

Mr. BESLEY. I think there has been, possibly, some misunderstanding concerning the prices, and in connection with that Mr. McGovern's demonstration of his samples—not that I am questioning Mr. McGovern's samples, or the prices paid. I am not. My point is that the price which was quoted on the cards sent to the country for No. 5 wheat, for example, as determined in Minneapolis, was established not from the standpoint of just that little foreign material that this particular sample had in it, but it is No. 5 wheat generally. In other words, that includes anything that No. 5 wheat might contain; low test weight, high moisture, and other factors permissible in grade 5.

Mr. JONES. Under your grade standards, as issued by the Bureau of Markets, if wheat is in all other respects No. 1 wheat, if it contains 16 per cent moisture, it is put in class 5, is it?

Mr. BESLEY. Yes; a low grade, either grade 4 or 5. Both permit 16 per cent moisture.

Mr. JONES. But according to your view, these buyers are not at all justified in reducing that 30 cents or 40 cents a bushel if there is no reason for reducing it?

Mr. BESLEY. I think not.

Mr. JONES. In your judgment, if these gentlemen are making that difference under the present grade standards act, do you believe that if we changed the grain standards act provided in this bill it would remedy that situation?

Mr. BESLEY. I do not. I mean by that, I do not believe—I will put it this way: I believe under any set of standards which may be fixed, the matter of prices and discounts is without control, so far as the grades are concerned.

Mr. JONES. Now, in these foreign matters that get into the wheat; say, there is $3\frac{1}{2}$ per cent foreign matter, it is not much trouble for the miller or the mixer to eliminate that, is it?

Mr. BESLEY. There is a big question there, sir, as to whether so-called foreign material is separable from the wheat.

Mr. JONES. Well, kingheads?

Mr. BESLEY. Yes; kingheads is one of them—in a practical sort of way. I am frank to say, so far as the experience of the department is concerned, we have been unable to find machines which will eliminate certain foreign material in a commercial way. We do know that certain mills do have machines which will take out wild peas from northern spring wheat, but it is a complicated piece of machinery. I would not say that it was commercial, from the standpoint of ready handling, but it can be removed.

Mr. JONES. But there are a great many of them that can be removed; the foreign materials can be and are removed?

Mr. BESLEY. Oh, yes. If you would let me, I think I anticipate what you are driving at, and I would like to make just a brief statement about dirt in wheat.

Mr. JONES. All right; I want to get your full explanation.

Mr. TEN EYCK. May I just speak in here: I think what we would like to know, and what is before the committee to-day—this is only a suggestion to the witness—is the difference in the grading, and the means of the grading, and why you do not agree with the gentlemen who are here in favor of the bill; and why they are wrong or right. As I understand, the difference of opinion in the men assembled to-day is this: That you have graded your wheat, considering moisture and foreign substance, dockage, etc. They feel that the wheat should be graded from the kernel standpoint or the milling standpoint, and that certificates should go with that grade, stating the class and the amount of foreign material that is in it. Now, that is the question that I believe is before the committee and before the House; and if this gentleman will handle it on both sides and give his reasons, I think it will elucidate the matter before us.

Mr. JONES. I think we have the same matter in mind, but I wanted to come to that. I want to get his whole viewpoint. I wanted to ask him these other questions and then ask why that can not be changed so it will show his ideas. I am trying to get the whole, if I can. I hope I am not taking too much time.

The CHAIRMAN. Would it not be well to have him explain why No. 2 wheat sells for more than No. 1 wheat at times. For instance,

a number of cars of No. 2 wheat sell for \$1.80 to \$1.90, and nine cars of No. 1 sell for between \$1.70 and \$1.60.

Mr. BESLEY. Mr. O'NEILL is smiling, because he is wondering how I am going to answer it. I think under any set of standards those conditions will will obtain.

The CHAIRMAN. It can not be overcome?

Mr. BESLEY. It can not be overcome.

The CHAIRMAN. How was that brought about; was No. 2 superior to the No. 1?

Mr. BESLEY. I think this will help you to understand that proposition: Of course, the cash sales for wheat on all of the exchanges is a matter of record; it can be ascertained, in other words, with a fair degree of accuracy what cash wheat on the various exchanges sells for day by day. We have that information, and it shows, of course, that there is a range within each grade. We have, for a considerable period of time, tried to express the price of wheat at each of those markets as nearly as possible in one figure, and we do that by striking an average of the actual cash sales each day on the various exchanges. Now, if you will look at those average cash sales you will find that there is a natural gradation from one down through the grades. But when you go to the individual samples there is injected into the matter the question of salesmanship, individual desire for a particular wheat, or a particular variety of wheat, within the grade. And that accounts for the spreads within the individual grades.

Mr. JONES. This bill provides—take wheat that would grade No. 1 except for moisture; this bill provides that if it is No. 1 in all respects but moisture that you shall grade in No. 1 and then specify on the certificate the amount of moisture; why would not that accomplish the same purpose as your grading, and yet give the farmer the information that he wants; just let it be noted on the certificate, and then the buyer would know what he is buying, and the farmer would know what he is selling, and then there would be an understanding?

Mr. BESLEY. I think there is still a misunderstanding in relation to what our standards, in addition to the regulations, provide. We provide that when a licensed inspector—that is, an inspector licensed by the Secretary, grades grain he is required to show in cases where it grades below No. 1, the reasons for the grade.

Mr. JONES. Is that noted on the certificate?

Mr. BESLEY. Absolutely noted on the certificate, or should be, under our regulations. Therefore the man for whom the inspection service is performed gets the information on the certificate now, so far as the grading factor is concerned. In other words, in those cases that you cite, No. 1 wheat—that is—would be No. 1 if it did not have excessive moisture—he grades it No. 2, and down at the bottom of the certificate he shows why; moisture, 14.3 per cent.

Mr. JONES. Now, there is no question in the world that the farmers are being euchered on the proposition, it seems to me. They have produced proof here which is incontestable, or at least uncontested, that a lot of wheat that has as good flour-producing qualities as the other, at least, has been run away down in price to the producer. Now, what is wrong with adopting the grade classification which they offer here; why would not this be a good thing?

Mr. BESLEY. That is a question, sir, which I suppose should be properly left for the Secretary to answer when he comes before you.

Mr. JONES. Let us have your opinion on it, then, just as an individual opinion.

Mr. BESLEY. I think, for the benefit of the committee, that the following statement is not out of order. Forgetting the technicalities of grain grading, the department's idea of the proposed changes is merely this, that the proposed changes involve a distinct lowering of the present standards with respect to weight per bushel, moisture, and other factors, and it has been the department's idea that the standards were low enough, so to speak, in all respects, and that has been the reason why the standards were not changed in the past.

Mr. JONES. The question of moisture could be taken care of in this bill in the way they suggest; that is practicable, is it not?

Mr. BESLEY. Except for this reason: As I understand it, under this bill—I have not read it very carefully—the matter of moisture is not a factor in grain grading. In other words, it provides merely when the grain is inspected the amount of moisture shall be shown on the certificate.

Mr. JONES. The present bill would take care of you on that by simply noting the moisture on the certificate.

Mr. BESLEY. Except to this extent, let me say. A man buying wheat—that is, a man in the East buying wheat out of Minnesota or any other market in the West might be tendered for grade No. 1 a car of wheat which has 16 or 17 or 18 per cent of moisture in it, if it happened to run that high.

Mr. JONES. Well, the certificate would show it.

Mr. BESLEY. The certificate would show it, but the difficulty is that this man in the East buys on a contract, subject to a grade at the point of shipment.

Mr. JONES. He would specify in his contract that it should not have more—

Mr. BESLEY (interposing). That is the point exactly. It would seem, if that system is adopted, that buyers out of the terminal markets would be obliged to specify in their contracts against the amount of moisture to be in it.

Mr. JONES. That would be a very simple matter; would that not be better than grading it down?

Mr. BESLEY. That is the difficulty, in our opinion. It comes back to the same proposition; it is rather a 50-50 proposition, whichever way they do it. The buyer, in our opinion, is going to provide some way against high-moisture grain. There are merits in the suggestion, without any question.

Mr. JONES. It seems to me so.

Mr. BESLEY. It is involved; it is a big question.

Mr. JONES. Now, take the matter of foreign materials in the wheat; generally, could that be taken care of by the dockage process and not affect the grades, where it is separable?

Mr. BESLEY. Yes; where it is separable, and, of course, where it is not separable it could be, also.

Mr. JONES. Would that not be a better way than simply to say on your standards it shall be graded down; that it shall be graded on the kernel?

Mr. BESLEY. The aim of the department now is to grade wheat on the clean wheat. What I mean by clean is that the dirt, where it is practicable to clean it with ordinary machinery, is taken out.

Mr. JONES. But that is not done.

Mr. BESLEY. I beg your pardon; it is done.

Mr. JONES. They testified here about that.

Mr. BESLEY. That is a misunderstanding, sir.

Mr. CLAGUE. How is it a misunderstanding, when I have sold hundreds of bushels—yes, thousands of bushels of wheat myself, and—

Mr. BESLEY. Let me call your attention to the dockage. The grading is on the basis of wheat that is readily cleaned with ordinary cleaning machinery.

Mr. TEN EYCK. In other words, dockage is all that goes out through the sieves?

Mr. BESLEY. Yes, sir.

Mr. TEN EYCK. The kingheads and other things remain in?

Mr. BESLEY. Yes, sir.

Mr. TEN EYCK. But they also can be cleaned out by going through the water process, by the miller?

Mr. BESLEY. They may; it can be floated off.

Mr. TEN EYCK. But you declare first-class wheat No. 2 wheat, on account of the kingheads, which has nothing whatever to do with the kernel?

Mr. BESLEY. That is quite right, sir. The reason for our doing that—the substantial reason—is this: We adopted, in 1917, when the grades were first fixed, substantially the same grades that were in vogue in the Northwestern States, including the dockage system, and grading it down on account of the foreign material.

Mr. JONES. If you dock it, why do you grade it down; why not dock it on account of the foreign materials, and make the grade—

Mr. BESLEY (interposing). It can be done. My explanation was that we adopted the system in vogue.

Mr. CLAGUE. You have not taken into consideration the new machinery for cleaning grain since 1917, have you?

Mr. BESLEY. Yes; we have. We would be glad to know if there is such.

Mr. CLAGUE. Do you mean to say the kingheads and the cockles are not removed by the modern machinery of these new companies?

Mr. BESLEY. It is not, so far as we are aware, readily removed.

Mr. CLAGUE. You ought to get posted up a little bit.

Mr. BESLEY. That is a mooted question. I will say that the matter will be investigated most thoroughly. It is our understanding that certain things, such as wild peas, wild oats, and vetch, is not readily removed, and can not be removed by ordinary cleaning machinery.

Mr. JONES. It seems to me that for a practical proposition, in so far as moisture is concerned, and in so far as the foreign particles are concerned, that the proposed bill is a much simpler and more practical method of handling the situation than your interminable number of grades, by simply noting the dockage and the moisture of the certificate, and then grading on the intrinsic kernel. It seems to me it would be simpler to the farmer and would be less likely to loss for the farmer on account of the grading down, because those things can be eliminated.

Mr. BESLEY. We are aware of what you say there being true. The reason for the moisture being specific, as I tried to state, was because the buyer at the terminal markets will undoubtedly wish to protect himself against high-moisture grain.

Mr. JONES. Which he can do by specifying it in his contract.

Mr. BESLEY. Yes; he can do it.

Mr. JONES. That is very simple.

Mr. BESLEY. It comes back to the same proposition we have now. It would work out that way in the long run. That is a matter of opinion. It is our opinion it would.

Mr. JONES. Yes; except this, that you grade it down, and they have an excuse to make a big difference in the price; whereas if you grade it on the kernel—on the intrinsic value of the kernel—and the dockage, and state the dockage on the certificates, and the excess moisture on the certificate, they would not have the excuse to grade it down.

Mr. BESLEY. That is the practice. We do not understand why they would not have the same excuse if they had the excess moisture.

Mr. JONES. It seems to me it would be a simpler way. The difficulty I get in this bill is on the poundage or test weight. I see they class 57 pounds as No. 1 wheat. Do you think that would be quite fair, to make all wheat that tested 57 pounds or more No. 1 wheat?

Mr. BESLEY. My answer to that, I think, is quite concise. Let us forget technical grading for a moment and consider the fixing of grades for any commodity, I do not care what it may be.

We are faced with the proposition of fixing the grade for wheat. All right. The test weight is a most important factor. The first question that arises is how many grades are you going to have? In other words, where will you fix your standards? I think Mr. O'Neill stated yesterday the average of all spring wheat was 57 pounds weight; it differed in different years, but that was substantially the average, and he gave that as a reason why that was their recommendation to put No. 1 at 57 pounds. Now, the department has held to the idea that it would not be a good idea to put your No. 1 on the same basis as the average.

Mr. JONES. Yes; I agree with you on that.

Mr. BESLEY. In other words, No. 1 should be above the average.

Mr. JONES. I think, perhaps, the bill should be amended with reference to that matter, but from what I have seen of it, it seems to me that these gentlemen rather have you on the question of the moisture requirements and the foreign-particle allowances. I sincerely believe they have a system here that would probably give less opportunity for beating down the prices on the farmer on the question of moisture and foreign matter, by simply grading it regardless of those matters, and then noting on the certificate the moisture and the foreign matter.

Mr. KINCHELOE. What I want to know—

The CHAIRMAN (interposing). Let us have your objection to that suggestion.

Mr. BESLEY. I have no objection to it.

The CHAIRMAN. What is your answer?

Mr. BESLEY. I was going to say that so far as the transaction in the country is concerned, where the farmer sells to the country dealer, as I have understood, he does not get any certificate.

Mr. KINCHELOE. He gets a card, does he not?

Mr. BESLEY. No, sir; the farmer bringing in the wheat to the country elevator, he sells it on the card, to be sure. My point is, that the buyer is to all intents and purposes the man who grades the wheat.

The CHAIRMAN. Do you agree with the statement of Senator Ladd that the man who sells the wheat gets the benefit of the competition, and the man who sells to the line elevator does not get it?

Mr. BESLEY. I do not know that I could agree with that in whole, sir.

The CHAIRMAN. What knowledge has he of the grades, or the value of the grain? You have stated that the grade is not always to be relied on. A lower grade sells higher than a higher grade, and that a higher grade sells for a lower price than the lower grade.

Mr. BESLEY. I did not intend to state that, sir. There is a range within the grades.

The CHAIRMAN. Do you dispute those figures?

Mr. McLAUGHLIN of Michigan. He says particular grades, and that on an average the higher grades sell for more money.

Mr. BESLEY. Yes; that is the way.

The CHAIRMAN. To what extent?

Mr. BESLEY. Well, that is a hard question to answer, sir. I do not know that I entirely get what you want there.

The CHAIRMAN. I am speaking of the lower grade selling at a higher price than the higher grade.

Mr. BESLEY. Yes; and how often does that occur?

The CHAIRMAN. Yes; how often does that occur?

Mr. BESLEY. Well, it occurs often. I haven't any figures here to answer it specifically.

The CHAIRMAN. Every day?

Mr. BESLEY. Oh, I imagine that that happens every day where No. 2 or No. 3 would sell higher--some particular car would sell higher than a car of the grade above.

The CHAIRMAN. If so, the certificate does not convey reliable information at all to the buyer or anybody else?

Mr. BESLEY. I would not say that, sir; because on an average the grade No. 1 sells unquestionably higher than grade No. 2.

The CHAIRMAN. It is not the grade that determines the value; it is the sample that determines the price, is it not?

Mr. BESLEY. Yes; where they buy by sample; yes, sir.

The CHAIRMAN. Yes; where they buy by sample?

Mr. BESLEY. Yes; it is the sample that determines the price.

The CHAIRMAN. Also the quality of the grain?

Mr. BESLEY. Yes, sir.

The CHAIRMAN. As a general thing the grade does not indicate the quality?

Mr. BESLEY. No; I did not intend to convey that. As a general thing the grade does convey the idea as to the quality and condition. That is the purpose of the grades, but within these individual grades there will be a variation in price.

Mr. JONES. Do you not think it is pretty hard on the farmer if you take wheat that would be No. 1 in every respect except moisture, and if it has 16 per cent moisture, to grade it down to No. 5; when there are a number of other things--there come up a lot of other things, and it is graded No. 5? Here is a wheat [indicating sample] that is

graded No. 2, for instance, that is 62½ pounds per bushel and has a moisture of 14.4. Now, if that is good, clean wheat in all other respects, what justification is there in putting that down to No. 2 simply because it has a very slight percentage more of moisture?

Mr. BESLEY. I think there is every justification from the stand-point of a grading system in putting down any wheat like that at No. 2. I do not think there is any justification in knocking the life out of it on the price paid.

Mr. JONES. You do class it with a lot of wheat that may have foreign material in it?

Mr. BESLEY. What other wheat?

Mr. JONES. You put it with wheat that may test 57 pounds, even. It is not fair to class that wheat because of that little moisture—

Mr. BESLEY (interposing). Of course, the answer to that is, sir, that the high test weight per bushel should be, to any buyer where he has the sample before him, a sufficient inducement to pay a premium on that wheat, because of the quality; and then the standards, if you please, in no way have a bearing on the price that he has paid for it.

Mr. JONES. Yes; but the price that the buyer will pay necessarily is governed by the average of the particular grade. And you are taking a particularly fine grade of wheat, and because it has a little moisture in it, you are grading it down with a lot of less meritorious wheat, and necessarily the price will go down to the average of the less meritorious wheat because of the little moisture in it. Now, the point I am making is, why would it not be better to let that go into No. 1 and note that it has this little moisture, 14.4 per cent of moisture; then everybody can tell that it is perfect wheat, except for the little moisture.

Mr. BESLEY. It does that under our present system, except that you go to No. 2, instead of No. 1.

Mr. JONES. But the price goes down then.

Mr. BESLEY. Then why does the price go down, if it is based on sample?

Mr. JONES. It goes down—

Mr. KINCHELOE (interposing). If it is not worth as much, why do you grade it No. 2?

Mr. BESLEY. We do not think that wheat with 14.4 per cent of moisture is worth as much as wheat with less moisture.

Mr. CLAGUE. Did you not state that 14.4 per cent is a safe maximum for handling?

Mr. BESLEY. That is safe, we think.

Mr. CLARKE. Let me get this fact straight in my mind for a minute: You started out with the same standards as Minnesota, North Dakota, and South Dakota, in 1917?

Mr. BESLEY. No, sir.

Mr. CLARKE. Substantially?

Mr. BESLEY. On the question of dockage and foreign material we did, substantially.

Mr. CLARKE. What is the difference now between your standards?

Mr. BESLEY. I tried to cover that in one single statement, that the department is of the opinion that the standards as now framed are as low as standards ought to be fixed for the good of everybody in the long run; that was what I tried to say.

Mr. CLARKE. Does modern machinery have anything to do with the standards at the present time?

Mr. BESLEY. So far as we know, it does not.

Mr. SINCLAIR. Mr. Besley, you stated a moment ago that the farmer does not get a certificate at the local elevator. Are you familiar with the marketing of grain in the Northwest?

Mr. BESLEY. I think I am, sir. What I meant to convey was that in the original transaction between the farmer and the country elevator he gets no certificate of grade issued by a licensed grain inspector; that is what I tried to convey.

Mr. SINCLAIR. However, the bulk of the grain in the Northwest is practically dumped into the elevator, and the farmer takes a storage ticket for it, grading it, and giving the amount of dockage, and so forth, and in my experience, at least, most of the grain is sold later on that certificate. So there will be no objection to the grain buyer making his certificate, showing, as Mr. Jones indicated, the amount of moisture, the amount of foreign material, and the dockage, on the certificate.

Mr. BESLEY. Who issues the certificates?

Mr. SINCLAIR. The local elevator man.

Mr. BESLEY. That is my point. He gives no certificate under the grain standards act. The buyer is the man who issues the certificate.

Mr. STEENERSON. There are no inspectors at the local elevators?

Mr. BESLEY. No, sir; not at the country elevators. The act provides that the inspectors shall be competent and shall be licensed. At the country points, it is wholly unsupervised, except in the State of North Dakota, where they do have some regulation or law. The buyer grades the wheat. How he applies the standards is usually—

Mr. SINCLAIR (interposing). That is a very vital point to the farmer. He has been contending that it is not applicable to the local market.

Mr. JONES. Here is an illustration. I want to get this in connection with the other matter: Here is a sample of wheat [indicating] that under the present gain grading system weighed $61\frac{1}{2}$ pounds per measured bushel, and had 3.3 per cent of rye; that is classed as No. 4; that is put down in the same class with that test 53 pounds per bushel, and has 4 per cent of rye. Now, is that fair to take wheat that weighs $61\frac{1}{2}$ pounds per bushel and has 3.3 per cent of rye and put it in the same class with wheat that tests 53 pounds per bushel, and has 4 per cent of rye? The $61\frac{1}{2}$ pound bushel has not quite, but nearly, as much rye?

Mr. BESLEY. Strictly; from the way you put it up it certainly is not fair, in my opinion. I think the answer to it is, however, that the wheat normally as it flows to market contains rye in a very few number of cases as a grading factor. If it did, your contention would be sound, without question.

Mr. JONES. Here is $61\frac{1}{2}$ pounds of wheat, and the fellow who produced that wheat with 3.3 per cent of rye in it must take the same price as the fellow who produced wheat which tested 63 pounds and had 4 per cent of rye. If you take the present bill, it would grade No. 1 wheat, and then note on the certificate that it has 3.3 per cent of rye, and it should be docked for that reason.

Mr. BESLEY. You are wrong about that, sir.

Mr. JONES. Why would that not go as No. 1 wheat?

Mr. BESLEY. For the reason that rye is not considered as dockage in the proposed bill; everything except rye is.

Mr. JONES. I thought any foreign matter was considered dockage.

Mr. BESLEY. Everything except rye is.

Mr. JONES. Under the present bill rye would not be, and that would come under No. 5 wheat?

Mr. BESLEY. No, sir; I think not. What per cent is it?

Mr. JONES. Three and three-tenths per cent rye, and it weighs 61½ pounds per bushel.

Mr. BESLEY. That would be No. 2, I believe.

Mr. JONES. If it was No. 2, it would protect the farmer better than No. 5; if it was No. 2, he would get more than if it was No. 5?

Mr. BESLEY. He might or he might not, so far as the price to the farmer is concerned, for that grain under either bill.

Mr. JONES. He would naturally get more under my bill for No. 2 than he would for No. 4 wheat?

Mr. BESLEY. I might say in answer to that that one of the reasons why there is a variation within the grades is because No. 1 wheat or No. 2 wheat under our standards—No. 2 wheat permits 2 per cent rye, and if it has that 2 per cent of rye it will be discounted by the buyer on the floor when he sees it, as against some other sample of No. 2 that does not have it.

Mr. JONES. Here is the trouble with your grading system, however: You admit that the test weight per bushel is really the most important feature of grain grading, and yet technically because it has a little more moisture, or technically because it has a little more rye or a little more kingheads, you throw it away down with wheat that has a low test and is therefore very much inferior wheat; on a technical demerit you class it away down with wheat that has a substantial demerit. That ought to be remedied some way. Whether this bill will do it or not, I do not know.

Mr. BESLEY. As I said before, it is a technical matter. We aim to have the test weight per bushel the principal factor of grading wheat. Practically 90 per cent of all the wheat now—it depends on the crop, you understand—I say most of it is on the test weight.

Mr. JONES. You would not attempt to justify it on the grades now; the 61-pound wheat should not be classed with the 53-pound wheat simply because the 60-pound wheat has more foreign material in it.

Mr. McLAUGHLIN of Michigan. Is he right or wrong in that statement?

Mr. BESLEY. I am trying to answer the thing fairly and squarely. It is a hard thing to answer when you put it that way.

Mr. JONES. I think so, myself.

Mr. BESLEY. I will say this, from the standpoint of grades of wheat, my own personal opinion is that that is justified from the standpoint of fixing grades for wheat, for this reason: That if you open up your limits of rye in wheat, every bushel, practically, that goes out from a terminal elevator for consumption will contain the full amount of rye, and on that will be determined, in my judgment, the price the farmer will get for his wheat.

Mr. JONES. But you reduce wheat that has a little foreign matter in it, which, after all, is not very objectionable, just as much as you

reduce either wheat on the basis of very objectionable matter, or a combination of objectionable things.

Mr. BESLEY. If it happened many times, your position would be well taken; but my answer previously is that a condition of that kind happens so rarely that we believe it is entirely negligible.

Mr. JONES. This, it looks to me, happens often.

Mr. BESLEY. Well, it does not.

Mr. JONES. If you had been growing this wheat—here are the two samples of wheat—one tests $61\frac{1}{2}$ pounds, and the other tests 53 pounds. The sample that tests $61\frac{1}{2}$ pounds has 3½ per cent of rye, and the other, the one that tests 53 pounds has 4 per cent of rye. The $61\frac{1}{2}$ -pound wheat has less percentage of rye than the 53-pound wheat, which has 4 per cent of rye. Now, if you are going to—under your system—grade these two samples of wheat, what do you grade them?

Mr. BESLEY. I test them according to the standards.

Mr. JONES. What grade do you put them in; No. 4, would you not?

Mr. BESLEY. If that is the amount of rye permissible in No. 4.

Mr. JONES. You would put them both into No. 4?

Mr. BESLEY. I would put them into the grade that was required by the standards.

Mr. JONES. You relaize that is not fair to the man that raises the finer wheat.

Mr. BESLEY. I will have to answer it, sir, in the way I did before, that I believe in fixing standards for wheat.

Mr. JONES. But the trouble with your grading system is that you knock down the grades just as much on things of little importance as you do on things of great importance.

Mr. BESLEY. Only in cases, however, where the things of little importance you speak of occur very rarely.

Mr. JONES. But here is wheat with foreign particles and these men have testified that all of the northwestern spring wheat has foreign particles in it, practically.

Mr. BESLEY. I might say this, so far as rye being a grading factor is concerned, at Minneapolis and Duluth, possibly less than 1 per cent of the cars received from there have rye as a grading factor.

Mr. JONES. The same thing is true of kingheads?

Mr. BESLEY. The same thing is true of kingheads.

Mr. JONES. There is a great deal of that?

Mr. BESLEY. No, sir.

Mr. JONES. Let us include all of the foreign particles.

Mr. BESLEY. All right.

Mr. JONES. When you put all those in, there is a lot of them?

Mr. BESLEY. No; the number of cars in Minneapolis show that rye is practically negligible.

Mr. SINCLAIR. You think in nearly 15,000,000 bushels of wheat—

Mr. BESLEY (interposing). I have the figures here that I could read if you wish.

Mr. JONES. You can put them in the record. Now, let us assume that this $61\frac{1}{2}$ -pound wheat is perfectly clean but has 16 per cent of moisture, and you would put it in No. 5, would you not?

Mr. BESLEY. Yes, sir; either 4 or 5, both grades permit 16 per cent moisture.

Mr. JONES. Now, here is the 53-pound wheat which is, we will say, perfectly clean but has 16 per cent of moisture, and you would place that in the same class, would you not?

Mr. BESLEY. Yes, sir.

Mr. JONES. In other words, you would put perfectly clean wheat on the same basis and in the same grade and class with wheat that has both the same amount of moisture and has some excess foreign particles or properties; is that not true under your grading?

Mr. BESLEY. That is on the theory if the patient is sick, it doesn't make much difference whether he has one disease or another.

Mr. JONES. This is not a theory; this is a very practical matter to the farmers.

Mr. BESLEY. The moisture is as detrimental as the foreign matter to the buyer.

Mr. JONES. If this perfectly clean 61½-pound wheat has 16 per cent of moisture, and if the 53-pound wheat had only 14 per cent of moisture, you would grade it ahead of the fine wheat. Now, would it be fair to the producer, who had produced wheat that tested 61½ pounds to the bushel and was of fine milling quality, to put it below wheat that tested 53 pounds, simply because the 53-pound wheat had 2 per cent less moisture?

Mr. BESLEY. That has always been the grading system.

Mr. JONES. I know; there are a lot of things that are always wrong. We had saloons in this country until a short while ago.

Mr. BESLEY. I think it is fair.

The CHAIRMAN. Let him have a chance to tell why.

Mr. BESLEY. For the reason that the wheat with the high moisture is wet wheat and would not keep under any commercial conditions without becoming musty or sour, and then it is not merchantable in the same degree that the light wheat is. That is the answer to it.

Mr. JONES. That could be made dry wheat by stirring it?

Mr. BESLEY. Not very well. If you go to the expense of stirring it, that is a different matter. It is wet wheat.

Mr. JONES. But you do not even have that good an answer as to the foreign material. I think there is something wrong with the grading system.

The CHAIRMAN. Would it not be well to take up all these proposed changes and let Mr. Besley comment on the proposed changes in the order they appear in the bill?

Mr. MANAHAN. I would like to ask a question or two. I believe you stated that the prime factor in the establishing of these grades was weight; that is the most important factor, is it not?

Mr. BESLEY. Test weight per bushel is probably the most important.

Mr. MANAHAN. You said it was the most important factor.

Mr. BESLEY. I think it is.

Mr. MANAHAN. Why do you subordinate the most important factor, as suggested by the last examiner, to the least important factor in the application of the grades?

Mr. BESLEY. I do not believe that we do, sir.

Mr. MANAHAN. Doesn't it work out that way according to the figures?

Mr. BESLEY. No, sir; it does not.

Mr. MANAHAN. Have you any other reason excepting the reasons you gave for insisting on maintaining these standards, that they were put in force?

Mr. BESLEY. I am not insisting on maintaining any standards. I am here to answer questions.

Mr. MANAHAN. It is true, is it not, that under the administration of the bureau the Secretary takes your conclusions, and is bound to do so?

Mr. BESLEY. I think the Secretary can answer for himself, sir.

Mr. MANAHAN. Is it not your knowledge and the actual experience that he does take it?

Mr. BESLEY. It is not; no, sir.

Mr. MANAHAN. Do you know of any instance where the Secretary has gone over the Bureau of Markets in respect to these things?

Mr. BESLEY. Every Secretary since I have been in the department administered the department very efficiently, and I can assure you that any time that the Bureau of Markets is called before the Secretary we have to deliver the facts and leave them in his hands.

Mr. MANAHAN. You are the sole judge of the facts, and he has no opportunity to controvert your facts?

Mr. BESLEY. No, sir; that is not true.

Mr. MANAHAN. What opportunity has he to go behind your facts: what other sources of information has he got?

Mr. BESLEY. Shall I continue to answer further, Mr. Chairman?

Mr. MANAHAN. I would like an answer to this: What other sources of information has he got?

Mr. STEENERSON. It is not necessary to cross-examine him.

Mr. MANAHAN. I asked that question because some of the gentlemen suggested that the Secretary of Agriculture himself had something to do with fixing the grades.

Mr. STEENERSON. He does.

Mr. MANAHAN. I happen to know that he does not.

The CHAIRMAN. Let me ask you these questions: What about the change as to the dockage; what is the department's opinion as to that? Has it any objection to making that change?

Mr. BESLEY. The answer to that is this, Mr. Chairman: That while it is true that the people from the spring wheat section have been to the department on many occasions with suggested changes, this last occasion was the first time that this proposition of dockage and foreign material was raised with us; the first time.

The CHAIRMAN. And you want to look into it before determining that?

Mr. BESLEY. Yes; our answer to that is: I am sure that that is one of the questions that the Secretary wishes to investigate, pursuant to his announcement.

The CHAIRMAN. Has the matter been given consideration?

Mr. BESLEY. No; it has not, for the reason—I mean, specifically it has not—for the reason that it has never been presented before this time.

Mr. STEENERSON. Were you in the department when Secretary Houston was Secretary?

Mr. BESLEY. Yes, sir.

Mr. STEENERSON. I was a member of a delegation that went to Secretary Houston, and we presented this matter, and his answer

was that he thought it was a very important matter, and that he would take up the question of dockage at some future time.

Mr. BESLEY. I am speaking of the formal suggestions we have had, Mr. Steenerson, from the Northwest delegation. I am familiar with all of them, and I am sure it is a fact that that is the first time that suggestion was made.

The CHAIRMAN. We understand, then, that the department does not care to express any opinion on the dockage; that it intends to give the matter investigation?

Mr. BESLEY. Yes, sir.

The CHAIRMAN. Let us take up the moisture. The present moisture content in No. 1 wheat is 14 per cent, under your system, and the proposed change is to make it 14.5. What have you to say as to that for No. 1 wheat?

Mr. BESLEY. I think this is the answer to it, Mr. Chairman—that under the proposed bill moisture is not considered as a grading factor. The department has always been of the opinion that it should be. Under the proposed bill it is not a grading factor. It is merely stated on the certificate what the moisture content is.

The CHAIRMAN. Would there be any serious objection to that change?

Mr. BESLEY. We have always held in the past that moisture should be a grading factor, and substantially for the reason that it always was a grading factor in standards, in some form or other.

The CHAIRMAN. It is an increase of only one-half of 1 per cent.

Mr. BESLEY. It is not the one-half of 1 per cent that is the proposition; it is the proposition that moisture is not a grading factor in the proposed bill; it may be graded No. 1, whatever the moisture may be; it may be up to 20 per cent moisture and still be graded No. 1.

Mr. O'NEILL. It is a factor in No. 1.

Mr. BESLEY. Maybe I have that wrong. I have not read the bill.

The CHAIRMAN. The Federal grade allowed only 14 per cent in No. 1. The proposed bill is 14.5 per cent.

Mr. BESLEY. Does that mean that No. 1 wheat could contain 16 per cent moisture? Let me ask you this: What would you grade wheat that contains 16 per cent moisture, that is otherwise fit?

Mr. O'NEILL. We would grade it No. 1.

Mr. BESLEY. That is my point. Moisture is not a grading factor; it may be up to 20 per cent in the proposed bill.

Mr. SULLIVAN. Let me ask a question: Would you object to having No. 1 contain 14.5 per cent?

Mr. BESLEY. Would I object to it?

Mr. SULLIVAN. In your opinion, would it be undesirable?

Mr. BESLEY. My personal opinion of that, sir, is this: That moisture is, without any question, a grading factor in wheat, no matter how you try to provide for it. I believe that 14.5 per cent is the maximum that should be permitted in—I will say the upper grades, and I will say I am very honest in this, personally, that No. 1 wheat should, for the good of all concerned, including the producer, be substantially a dry wheat, and that the standard should provide for it.

Mr. SULLIVAN. Fourteen and five-tenths per cent is a dry wheat, is it not?

Mr. BESLEY. No, sir; not in my opinion.

Mr. SULLIVAN. Is it possible at the country elevator to find out whether it is 14 or 14.5, without taking about 20 minutes and with a chemist's apparatus to determine it?

Mr. BESLEY. I think you are right about that. But our answer is that the great bulk is so much drier than 14 that the buyer knows whether it is 14 or below.

Mr. SULLIVAN. Yes; but if there is any doubt about it he gives the farmer the worst of it on the grade?

Mr. BESLEY. That is unquestionably true.

Mr. SULLIVAN. That is true where it is sold?

Mr. BESLEY. I appreciate that is true.

Mr. SULLIVAN. As a matter of fact, the grades are not applicable at that point?

Mr. BESLEY. I would not want to say that. I am inclined to think they are. I think they are, and that is the point that Secretary Wallace is so concerned about, to find out about the grading at the country point.

Mr. SULLIVAN. What is your judgment about it?

Mr. BESLEY. I feel this way, that the whole question hinges around one's ability to merchandise grain; that is to say, if there was proper competition and proper conditions in the local market, that the merchandiser of wheat could apply these standards and get No. 1 for pretty nearly everything that he ships, and buy on the No. 1 basis, if he would. Our records show that from the standpoint of wheat—at Minneapolis and Duluth, you know what the story is.

Mr. STEENERSON. A great deal more is graded out No. 1 than is graded in No. 1.

Mr. BESLEY. I do not know whether that is the fact, but graded out—

Mr. STEENERSON (interposing). I thought you meant to say that more comes into Minneapolis No. 1 than goes out No. 1?

Mr. BESLEY. No; I meant that by far the greater percentage received at Minneapolis and Duluth is No. 1.

The CHAIRMAN. Let us confine ourselves to the question of this moisture. Is the value of wheat containing 16 per cent moisture less than that of wheat containing 14 per cent?

Mr. BESLEY. In my opinion it is.

The CHAIRMAN. Is there any question about that?

Mr. BESLEY. No.

The CHAIRMAN. Then the question is, Would the change of one-half of 1 per cent be material, or be of any importance?

Mr. BESLEY. In my personal opinion, it would.

The CHAIRMAN. And why?

Mr. BESLEY. For the reason—I will have to answer that in this way, Mr. Chairman, if you will permit me: I do not think it is the one-half of 1 per cent that is the point to be considered. It is a question whether you are to have moisture a factor in grading wheat. Under the proposed bill moisture is not a factor at all in grading wheat. In other words, wheat can grade No. 1 if it has 20 per cent moisture.

The CHAIRMAN. Wheat can not be carried if it has too much moisture?

Mr. BESLEY. That is the answer.

The CHAIRMAN. And that is why it should be made a factor in grading the wheat?

Mr. BESLEY. That is your opinion, why it should be made a factor in the grading. Now, as to the place where that line should be drawn, that is a matter of much contention.

The CHAIRMAN. Under the change proposed, a change of a half per cent, would that cause any damage in the carrying of it?

Mr. BESLEY. We think that it would; yes, sir; that the danger point in wheat, the maximum danger point, if you please, is 14.5 per cent.

The CHAIRMAN. In grade No. 2 no change is suggested. In grade No. 3 the per cent is 15, and it is suggested that it should be made 14.5; what do you say as to that change?

Mr. BESLEY. I think the same thing as before; that under this bill moisture is not a grading in wheat; it is not a grading factor at all.

The CHAIRMAN. The same applies to grade No. 4.

Mr. BESLEY. Yes.

The CHAIRMAN. What about the test weight requirements? Under the present Federal grades No. 1 must grade 58 pounds, and it is suggested to make that 57; what have you to say about that?

Mr. BESLEY. The department has held in the past, sir, that it would be a mistake, we believe, to make the standard for No. 1 so low that the majority of the wheat would grade No. 1, from the standpoint of weight per bushel.

The CHAIRMAN. The weight is No. 1 now?

Mr. BESLEY. As a matter of fact, a great portion of it meets the 57 requirement, and it is graded No. 1 from that standpoint year in and year out. Another reason we have pointed out is that Canadian standards are higher than ours at the present time. Our wheat competes with Canadian wheat, of course, in export, and it seems to us that to lower our standards too much below the Canadian standards would not be a good thing to do.

The CHAIRMAN. It was fixed at 58 then to meet a condition?

Mr. BESLEY. Yes, sir.

The CHAIRMAN. What percentage is graded No. 1, compared to other grades?

Mr. BESLEY. How much graded No. 1?

The CHAIRMAN. Yes.

Mr. BESLEY. I have that here somewhere, Mr. Chairman, if you will bear with me until I find the figures.

Mr. O'NEILL. Would that be for any one year or for a period of three or four years?

The CHAIRMAN. According to the statement we have before us, in 1919 wheat received at Minneapolis, as reported by the Minnesota grain inspection department, according to these figures, 5,227 bushels of the 4,352,000 bushels were graded as No. 1; a very small percentage. Now, if you lower that to 57 pounds, more of it would be graded as No. 1, would it not?

Mr. BESLEY. Yes, sir.

The CHAIRMAN. Would that be an advantage or a disadvantage to the grower?

Mr. BESLEY. To have all of his wheat grade No. 1, in my opinion, would not be an advantage to the grower, for the reason there would

be no premium for the man who does raise the good wheat or the high-test weight wheat.

The CHAIRMAN. It would lower the price of No. 1?

Mr. BESLEY. In my opinion, the price would correspondingly go down with the lowering of the standard.

The CHAIRMAN. Without objection, the statement referred to will be printed in the record.

(The statement referred to is printed in full, as follows:)

Wheat received at Minneapolis terminal market, as reported by the Minnesota grain inspection department.

Grades of wheat.	Total net bushels received at public elevators Sept. 1, 1919, to Aug. 31, 1920, including amount on hand Sept. 1, 1919.	Total net bushels received Sept. 1, 1918, to Aug. 31, 1919, including amount on hand Sept. 1, 1918.	Grades of wheat.	Total net bushels received at public elevators Sept. 1, 1919, to Aug. 31, 1920, including amount on hand Sept. 1, 1919.	Total net bushels received at public elevators Sept. 1, 1918, to Aug. 31, 1919, including amount on hand Sept. 1, 1918.
Northern:					
No. 1.....	522,784	14,889,904	No. 4.....	104,600	29,796
No. 2.....	485,616	4,116,280	No. 5.....	62,719	10,143
No. 3.....	949,108	2,128,691	SG.....	26,650	8,915
No. 4.....	1,026,931	773,659	Amber durum:		
No. 5.....	948,613	288,837	No. 1.....	114,888	249,508
SG.....	420,093	539,059	No. 2.....	1,201,471	464,412
Dark northern:					
No. 1.....	2,078,947	5,441,529	No. 3.....	952,493	53,500
No. 2.....	981,714	523,981	No. 4.....	558,280	32,114
No. 3.....	2,344,408	235,179	No. 5.....	204,941	14,256
No. 4.....	2,737,769	129,973	SG.....	25,073	12,300
No. 5.....	1,912,125	54,950	Red durum:		
SG.....	714,095	126,056	No. 1.....	198,329	1,153,449
Red spring:					
No. 1.....	2,184	358,513	No. 2.....	182,884	69,867
No. 2.....	4,482	207,242	No. 3.....	77,327	19,848
No. 3.....	15,586	207,071	No. 4.....	42,124	8,161
No. 4.....	10,172	98,440	No. 5.....	25,657	2,519
No. 5.....	4,987	35,130	SG.....	9,937	2,040
SG.....	8,969	53,187	Mixed wheat:		
Ungraded wheat					
Durum:	809,804	142,477	C. W. & W. C. (lb.)	4,060,534	2,633,019
No. 1.....	24,112	521,699	Winter wheat.....	5,769,788	1,699,729
No. 2.....	267,582	792,810	Mixed grain.....	135,155	97,542
No. 3.....	182,531	108,393	Smutty wheat.....	233,568	5,511,259
			Total.....	30,399,938	42,854,426

The CHAIRMAN. Any premium ever paid on No. 1 wheat?

Mr. BESLEY. Yes; there is a premium.

The CHAIRMAN. On the quality of No. 1 wheat?

Mr. BESLEY. Yes, sir.

The CHAIRMAN. Or that graded No. 1?

Mr. BESLEY. Yes, sir.

The CHAIRMAN. The only remedy then would be a premium for No. 1?

Mr. BESLEY. Would be a premium for No. 1.

The CHAIRMAN. How about the 2; changing from 57 to 55?

Mr. BESLEY. The same thing applies all the way down, Mr. Chairman; it depends on where you start No. 1. If you go down by 2 or 3 pound drops, it is a question only of where you start No. 1 as to what No. 2 and No. 3, etc., will be.

The CHAIRMAN. What are your objections to the changes?

Mr. BESLEY. To lowering the test weight per bushel?

The CHAIRMAN. Yes; to the changes.

Mr. BESLEY. Our answer in the past has been that we do not think it wise to put the minimum test weight requirement for wheat at a point where the average of the crop would meet the minimum requirement.

The CHAIRMAN. And the same rule would apply to Nos. 3, 4, and 5?

Mr. BESLEY. Yes, sir.

The CHAIRMAN. Now, what about omitting grade No. 5?

Mr. BESLEY. I think the best answer I can give to that is this, sir, that we have been working with the idea that in establishing standards for any commodity, I do not care what the commodity may be, the fewer grades that you have the greater the spread within any one grade will there be. Furthermore, the bigger difference between grades there will exist. In other words, if you are going to have a price on wheat which spreads from \$1 to \$2 and throw that into three grades, you are going to have bigger ranges than you will have in 10 grades.

The CHAIRMAN. If the spread is \$1, and you have four grades, the spread would be 25, and on three grades the spread would be $33\frac{1}{3}$?

Mr. BESLEY. That is the A B C of it; yes, sir. And I might say that is one of the principal differences of opinion that has obtained between the proponents for this bill and the department in the past.

The CHAIRMAN. What have you to say as to the number of bins required to hold the number of grades?

Mr. BESLEY. Our information on that and our opinion is this, that while there are actually all told 18 grades for hard red spring wheat and not 50 or 60, as has been stated—18, no more and no less, the particular country dealer, who serves rather a limited area, will be obliged to handle only a few of the 18, because he serves this limited territory.

Mr. SULLIVAN. What about the durum?

Mr. BESLEY. The durum is a problem, I will admit, along with the spring wheat. But the thought I wanted to keep before us was that he does not have to handle all of these grades. The man in some particular territory, or a county, serves a limited number of mills; but we have to fix standards to cover interstate commerce and all the wheat in the United States.

Mr. McLAUGHLIN of Michigan. The local elevator man, or his buyer, does he grade this wheat?

Mr. BESLEY. He does not grade it in any measure in connection with the grain standards act. He looks at it as a buyer and says this is of such a grade and he will give such a price for it.

Mr. STEENERSON. He has reference to the grain standards act.

Mr. BESLEY. My answer is that he does not grade under any authority under the act.

Mr. McLAUGHLIN of Michigan. He does not have the machinery there to make these tests, possibly?

Mr. BESLEY. In the Northwest I think the country elevators are nowhere nearly so well equipped with apparatus to grade grain as they are in other sections of the country. In Indiana and Illinois and in the hard wheat territory—Kansas, and down that way—their equipment is much better. And I might say, in the marketing of the crop of oats and corn, for which there are also Federal standards, the

complaints are nil; it is the matter of wheat that the complaints arise over.

Mr. McLAUGHLIN of Michigan. I was trying to get at the method of doing business. The farmer brings his wheat in to the elevator in his wagon, to the local or country elevator.

Mr. BESLEY. Yes, sir.

Mr. McLAUGHLIN of Michigan. Is that wheat put through any of these tests to determine moisture, and all these other things, before the elevator man tells the farmer how much he will pay him for it?

Mr. BESLEY. In the Northwest, it is my understanding that the grades are applied, not on each particular load, but on a general lot that a producer may have to sell.

Mr. McLAUGHLIN of Michigan. By the particular producer?

Mr. BESLEY. Applied by the particular buyer who is going to take the wheat from the particular producer. He is not a grain inspector. He is a buyer. It is like doing business for himself; he buys it and grades it.

Mr. McLAUGHLIN of Michigan. Something you said a moment ago indicates that the local buyer looks at the wheat and guesses at it and says, in substance, "This is No. 3," and gives what his judgment is as to the grade, by reason of the moisture content and the other factors. He says, "This will grade No. 3, and I will pay you the No. 3 price."

Mr. BESLEY. Yes, sir.

Mr. McLAUGHLIN of Michigan. What does he do; does he take a sample of it and send it to a place where it can be scientifically examined and all these different things determined?

Mr. BESLEY. He does not send a sample, Mr. McLaughlin. What he does is to assemble this wheat in different—

Mr. McLAUGHLIN of Michigan (interposing). That is, he mixes wheats from all the different farmers into one bin?

Mr. BESLEY. Not necessarily into one bin; but he puts all the grain of the farmers into one car, and ships it to market, Minneapolis, for example.

Mr. McLAUGHLIN of Michigan. Then he does not keep separate the grain from A, for example, and B, and C, and so on?

Mr. BESLEY. No, sir.

Mr. McLAUGHLIN of Michigan. But he mixes them all together?

Mr. BESLEY. He may do that, and he does.

Mr. McLAUGHLIN of Michigan. Then, they go to the terminal elevator?

Mr. BESLEY. They go to the terminal market; not necessarily to the terminal elevator.

Mr. McLAUGHLIN of Michigan. And there, before they are unloaded, are samples taken and all this scientific formula gone through with?

Mr. BESLEY. The samples are taken and the grain is inspected by licensed inspectors, inspectors licensed by the Secretary of Agriculture. They are not Federal employees, but are employees of the State, or of chambers of commerce, or boards of trade, etc.

Mr. McLAUGHLIN of Michigan. That is the first time when the real quality of the grain is determined, is it?

Mr. BESLEY. That is correct.

Mr. McLAUGHLIN of Michigan. Subsequent to that, what is the dealing, if any, between the local elevator man and the farmer from whom he bought the grain? Is there any rearrangement of prices?

Mr. BESLEY. Not as a general thing; not so far as I know.

Mr. McLAUGHLIN of Michigan. There is not?

Mr. BESLEY. The general practice is, when the farmer sells to the country dealer, he is all through with it, and then the country dealer sells it to somebody else.

Mr. McLAUGHLIN of Michigan. Then, how will these different things they have suggested, and the things to be put on the certificate, as to the amount of moisture, and the amount of foreign material, etc., how will that affect the farmer that brings his wheat to the local elevator and sells it and it is afterwards mixed with a lot of other wheat, and the country dealer sells it all together?

Mr. BESLEY. I do not know.

Mr. MANAHAN. Don't you know that the farmers sometimes ship a lot themselves by the carload?

Mr. McLAUGHLIN of Michigan. The difficulty I am speaking of may be obviated, but in the ordinary course of doing business this local elevator buys from Tom, Dick, and Harry, all over the country and guesses at the value of the grain, and it is all put together, and the country elevator man, when he gets a carload, or enough for a shipment, ships it to the terminal market, where it is investigated and inspected and tried out, and all these different things are determined, and that is the first time that this process is gone through with, is it?

Mr. BESLEY. That is right, sir.

Mr. McLAUGHLIN of Michigan. Ordinarily how does that reach back to the farmer, and how does he get any benefit from it.

Mr. BESLEY. That is what I am unable to answer; I do not know.

Mr. SINCLAIR. You do know that every elevator is equipped with equipment for determining the amount of dockage, and some for the moisture test?

Mr. BESLEY. I do not mean to say that the elevators in the Northwest are unequipped absolutely. I meant to convey the idea that they are not so well equipped as some.

The CHAIRMAN. As a general thing, do they not have the brass bucket?

Mr. BESLEY. Yes; they have the brass bucket to test the weight. As a matter of fact, the —

The CHAIRMAN (interposing). They do make a test.

Mr. BESLEY. As a matter of fact, the test weight per bushel made in the country elevator—I think the Minneapolis and Dakota men will bear me out—does not disagree largely with the average test weight for the wheat.

Mr. McGOVERN. I think these gentlemen should be informed right now how grain is weighed in the country elevator. That is what we are talking about here to-day. The farmer brings his grain into the elevator—we will call him Jones—the elevator man tests it there.

Mr. McLAUGHLIN of Michigan. What process does he have?

Mr. McGOVERN. He has his Emerson kicker, and his sieves for the separation of foreign material; and he has his brass bucket, which gives the test weight, and many of them have a moisture tester. All

of these tests are made at the country elevator. We do not allow an elevator to operate without the equipment and sieves for testing the grain. If there is any difference of opinion between the farmer and the buyer, the rule is that they send a sample of that grain to our department, and I hold a Federal license, myself, with all the other men in that department. We inspect the grain according to the rules of the Federal grades, and we demand that it be sold on that grade. So that it is actually graded in North Dakota in the country as it is at the terminal market. If we found 3½ or 4 per cent kingheads we would place it exactly where the Federal inspector or supervisor would. Those samples I showed you the other day were inspected under the rules and regulations established. I showed you where No. 1 dark northern went into the sample grade.

Mr. McLAUGHLIN of Michigan. Where were those samples taken; where was the writing put on the envelopes that you have shown us?

Mr. McGOVERN. I sent the inspectors out over the State and secured these samples from the farmers' wagons; they were then sent to the department and we inspected them and tested them under the Federal rules, and that was placed on in our department.

Mr. McLAUGHLIN of Michigan. And all the process was gone through at the country elevator when these wagons that you speak of were unloaded?

Mr. McGOVERN. Yes, sir; they tested it also.

Mr. McLAUGHLIN of Michigan. Were the rules of the country elevators the same as the rules you speak of?

Mr. McGOVERN. There is not much difference. We have some men in the grain business, who have been in the grain business for 35 years, and we have men out in the country elevators that are just as capable and competent to grade grain as any State grain inspection department, regardless of whether it is Minnesota or North Dakota. They can work it there according to the rules.

Mr. GERNERD. Let me ask you, is this device an expensive device?

Mr. McGOVERN. Yes, sir. An elevator receiving 200 or 225 loads of grain a day would not have time to test for moisture. They test simply by feeling of it.

Mr. GERNERD. That is true in my section; they simply go into it and feel of it with the hand.

Mr. McGOVERN. I do say that the grain in the country elevator is tested under somewhat the same rules.

Mr. O'NEILL. And if the farmer is not satisfied under our laws, we send samples to the inspector at St. Paul, and under our law his decision is binding on the elevator man, and the elevator man must pay.

Mr. McLAUGHLIN of Michigan. And we are to understand that at almost every country elevator there are all these appliances?

Mr. O'NEILL. Except to test for moisture.

Mr. McLAUGHLIN of Michigan. Except to make the test for moisture. As a general proposition, and almost exclusively, then, every load that is brought in is tested at the country elevator?

Mr. O'NEILL. Yes, sir.

Mr. STEENERSON. One thing I want to call attention to: The country elevator may—I have done it myself—may receive it from the farmer and spout it into the car and ship it to the terminal

market in the farmer's name, and he will know whether the grade put on by the local elevator is the same and whether it holds out.

Mr. O'NEILL. That is a guide.

Mr. STEENERSON. Yes; that is a guide.

Mr. O'NEILL. They even have loading platforms for the farmers to drive up on.

Mr. GERNERD. Let me ask you this question: How long does it take to test for moisture?

Mr. O'NEILL. Pretty nearly 30 minutes. The farmers send their grain to market so fast that it is impossible to make these tests. Now they even haul it with tractors. They dump it into the bins just as fast as they can, because over here [indicating] there is a thrashing machine blowing its whistle to get the men out there; and another one over here [indicating], and there isn't any time to apply the moisture test. That man in the elevator must be an expert. He is under bond to give the correct grades. He has all the standards, and he works it out at night and after hours. He makes these tests at night. There is so much for moisture, and so much dockage, and he will go to a load and take out a little fistful out of each load, and he puts that away carefully and saves it and makes his tests and gives the man his average to-morrow; he works after hours and at night. It is not guesswork, as Mr. Besley has told you here. I think Mr. Besley is as square a man as I have ever met, but he has not been up there lately.

Mr. BESLEY. Mr. Chairman, may I say that I am entirely familiar with what Mr. McGovern and Mr. O'Neill have said regarding the law in the case of North Dakota? The thought I want to leave, along with what they have said, is that the testing is done so rapidly that in my opinion, and the opinion, I think, of the gentlemen themselves, it is not done so thoroughly as Mr. McGovern as a licensed inspector would do it. Furthermore, the State of North Dakota is the only State, I believe, that does have a law requiring grading at the country points. There are others, like California, Oregon, and Washington, that have bills now introduced.

Mr. O'NEILL. They provide for a sample being sent in.

Mr. BESLEY. So far as a sample is concerned, from any point in the United States, samples may be submitted to inspectors for grading.

Mr. O'NEILL. That is absolutely binding on both the farmer and the elevator under our statute. If a licensed inspector in St. Paul or Minneapolis determines the dockage and grade, that is absolutely binding.

Mr. BESLEY. In how many cases are samples submitted to inspectors?

Mr. O'NEILL. In many cases. I have sent them in myself.

Mr. BESLEY. I mean, how many in all the number of cases? It is a very negligible amount, if you put it in percentages; less than 1 per cent, by far.

The CHAIRMAN. If grain is sold on grade, and if the lower grades sell at a higher price than the higher grades, it seems to me that the certificates of grade are misleading and deceiving; that is, to the farmer.

Mr. BESLEY. My answer to that is again, sir, that so far as the average—

The CHAIRMAN (interposing). The question is, can that be overcome?

Mr. BESLEY. My answer is—and I am as honest in this as can be—that under any set of standards devised by humans, you can not overcome that condition.

The CHAIRMAN. That can not be overcome?

Mr. BESLEY. No, sir.

The CHAIRMAN. If it can not be overcome, what is the remedy? What can be substituted for it? If nothing can be substituted it resolves itself into no standards.

Mr. BESLEY. Possibly that is the answer to it. I think, however, this is rather the answer, myself, that grades are absolutely necessary in marketing grain, for the reason that the buyers and the sellers at long range—not when they have the sample between them, but at long range—must have some standard; some idea expressed in language as to quality and condition, in order that they may speak a common language.

The CHAIRMAN. But the grades do not express the qualities, and it is impossible to make them express it.

Mr. BESLEY. No; I do not think so for a minute.

The CHAIRMAN. It seems that the price paid expresses the quality and condition.

Mr. BESLEY. The price paid at these country points?

The CHAIRMAN. No; I am talking now of the terminal.

Mr. BESLEY. The answer to that is this, sir, that if the grain could be purchased between the buyer and the seller with the sample between them, there would not be any need at all for the grades. But that is not the case, and it seems, therefore, that grades are necessary, and under any set of grades you will have variations, so far as prices are concerned, within the grades.

The CHAIRMAN. Then the only way that the real value can be determined is by examining the grain?

Mr. BESLEY. I think that is true, so far as the general value is concerned; not specifically, as compared with other grain.

The CHAIRMAN. If the line elevators take advantage of the grower the remedy is to ship direct where it can be sold on its merits?

Mr. BESLEY. Yes; I think so.

Mr. SULLIVAN. Mr. Besley, I would like to ask one question, if I may. Assume that the system provided for in this bill were in effect and grain was sold at a terminal market where it is sold on sample, and the prices for the grain were sent out into the country, showing that No. 1, say, with 15.5 per cent of moisture, was sold for so much, and No. 1 with such a percentage of kingheads was sold for so much; the farmer understands at the place where he sells—he knows how much his moisture is and he knows how much his kingheads are, or the percentage of whatever foreign material is in it; would that not enable him to have a better understanding of the actual market prices in Minneapolis for the particular kind of grain that he had to sell?

Mr. BESLEY. My answer to that, Senator Sullivan, is this, that I do not see how the bill proposed would bring about that condition any more than the system which is now being used.

Mr. SULLIVAN. You then say that our bill would not have any effect on that; that is your idea?

Mr. BESLEY. That is my personal opinion of it.

Mr. SULLIVAN. Let us go one step farther: Let us assume that we will have the prices sent out in the country, based on the information as it would be on the grade certificate, as provided for in this bill; would that not enable the farmer and the local buyer to have a better mutual understanding of the price in Minneapolis on that particular grain?

Mr. BESLEY. I do not see how your bill provides for that. In other words, I think that your bill provides only for a change in the standards, and does not differ one whit from what the grain standards act provides except as to standards.

Mr. SULLIVAN. Now, note my question. Assume, will you, please—

Mr. BESLEY (interposing). Yes.

Mr. SULLIVAN (continuing). That we will be able in Minneapolis and in North Dakota and South Dakota and Minnesota to convey to the farmer and the local buyer the information as to sales in Minneapolis, based upon the content of the grain and the grade certificate that this bill provides for; if you assume that, please, do you not think that would enable the buyer to know better how much he ought to give for that particular grain than the present system?

Mr. BESLEY. With that assumption, I will say yes, and without any qualification. My only point is—and I am not arguing with you, sir—but so far as I understand the bill, it does not provide anything except the change of the present standards.

Mr. SULLIVAN. The present law does not provide for sending the prices into the country, does it?

Mr. BESLEY. No, indeed.

Mr. SULLIVAN. That is done by some private agency?

Mr. BESLEY. Yes, sir.

Mr. SULLIVAN. It is entirely competent, we think, for us in North Dakota and South Dakota and Minnesota to get that information into the country. We think we know how to do that. Now, assuming that we can do that, you will agree with me that our plan will help, will you not?

Mr. BESLEY. I think, in answer to that question, to the best of my ability, that regardless of the standards that may be in use, your scheme would be helpful to the country buyer, regardless of what standards are used.

Mr. SULLIVAN. Now, if you will change the standards so as to help us to bring about that condition, then you will agree that it will be a good thing for the farmer.

Mr. BESLEY. I can not see that changing the standards would help you to do that. That is my idea.

Mr. SULLIVAN. Then we understand each other. It is our idea, however, if we can get a grade certificate that will say so much moisture and so much kingheads, and so on, and get that information into the country, that will give the farmer when he comes to the market an absolute line on the Minneapolis prices, which are now blindfolded as to the average prices on a day's sales.

Mr. BESLEY. Yes; but my contention is that this can be done under these existing standards just as well as under any other.

Mr. STEENERSON. But it is not done?

Mr. BESLEY. No, sir; it is not done.

Mr. SULLIVAN. The trouble is that you have a half dozen standards, any one of which will throw the grade out, and make No. 1 a No. 2, or No. 2 a No. 4, or No. 5, and so on; now, instead of calling it No. 1, or calling No. 1 a No. 2 because it has a half per cent too much moisture, call it No. 1, and grade the kernel. Now, it is our theory that there will be sales every day, or every few days, of exactly that quality of wheat in Minneapolis, and the farmer can tell what it is selling for and demand a like price, with freight reduction. That is really the whole principle of our contention here.

Mr. TEN EYCK. I want to ask one question here: Which is the easier or more accurate way to grade grain; you or any other expert taking grain up and looking at it to grade it from the kernel itself, regardless of any foreign matter; or to put a grade on it with complications of all other foreign matters entering into the grading; which would be the easier?

Mr. BESLEY. To do it on the basis of the clean wheat.

Mr. TEN EYCK. That is, in other words, on the basis of the kernel?

Mr. BESLEY. Yes, sir.

Mr. TEN EYCK. I want to ask Mr. O'Neill that same question. You certainly agree with me?

Mr. O'NEILL. Yes, sir.

Mr. McLAUGHLIN of Michigan. There are only a few questions here where there is really a difference of opinion; the question of whether it should be five grades or four. The gentleman has said that the spread between the grades would be too much, and therefore there should be five. In regard to the weight he thinks No. 1 ought not to be the average weight. And he thinks that the moisture content ought to be an element to be taken into consideration. Now, besides that, it is indicated by these witnesses that the Department of Agriculture is considering this matter. We have a new Secretary of Agriculture, and this witness is somewhat hesitant in expressing the opinion of the department; naturally so. And for the full information of the committee it would seem to me that we ought to wait and let the Secretary finally made his recommendation on this, and then we will take it for what it is worth. I think we have all the information we can get. This is not the first time I have sat in hearings of this kind and heard the testimony. It is all very interesting, but here is the trouble with these hearings: Man after man and man after man gets up and talks the same thing, instead of having the proposition divided into different heads and each one take care of a particular head. It prolongs the hearings and confuses more or less. So far as I am concerned, I think I understand the points of difference between you gentlemen, the proponents of this bill, and those who are standing for the old standards and the old methods of doing business. The new Secretary of Agriculture is going to make an investigation of this matter, and I suggest that we give him an opportunity to make his recommendation, and then we will take it for what it is worth.

Mr. STEENERSON. I, as the author of this bill, am anxious to have the Secretary here.

The CHAIRMAN. I understood you to say that the Secretary would be pleased to appear before the committee on his return to the city.

Mr. BESLEY. I can not speak for the Secretary on that point. It is my understanding from the Secretary's office, however, that he would undoubtedly be glad to appear before the committee if you want him to.

The CHAIRMAN. And he expects to return to-morrow morning?

Mr. BESLEY. No; to-morrow night or early on Friday morning.

The CHAIRMAN. What is the desire of the committee; is it to invite the Secretary?

Mr. TEN EYCK. I move that we invite the Secretary to appear before the committee.

The CHAIRMAN. At what time?

Mr. McLAUGHLIN of Michigan. After he has had time to examine this matter and to give an opinion based upon investigation.

Mr. TEN EYCK. I am for that. I move that we invite the Secretary to come before the committee and give us his views upon the grading of grain in relation to the bill that is now before the committee.

The CHAIRMAN. At such time as may be convenient for him?

Mr. TEN EYCK. Yes, sir.

Mr. MANAHAN. Before this matter is disposed of in this way, Mr. Chairman, I want to make this general observation to this committee: For years, and when I was in this Congress six years ago, we have been trying to get action by the Department of Agriculture on different matters. We were trying to get action irrespective of the attitude of the Bureau of Markets, of which Mr. Brand at that time was in charge. We found, and in fact it was stated to me by the Assistant Secretary of Agriculture at that time, Mr. Vrooman, that the Secretary of Agriculture was absolutely helpless in the hands of the Bureau of Markets; that they had no means of getting information. Mr. Vrooman will not deny that he told me that as a Member of Congress that he was helpless in the hands of the bureaucracy, and that they would not furnish him any information. This man here is hostile to this bill; he has shown it.

The CHAIRMAN. Let us not get into personalities.

Mr. MANAHAN. I represent a large constituency here—

The CHAIRMAN (interposing). But kindly confine yourself to the merits of the bill.

Mr. MANAHAN. I say the merits of the bill have not been discussed here.

The CHAIRMAN. The committee was discussing the question of whether we should invite the Secretary of Agriculture or not.

Mr. MANAHAN. On that point, I want to make the statement that if this committee, representing the Congress of the United States, waits for the Secretary of Agriculture to pass these grain standards they will not be passed. He will take this man's word, and this man is opposed to it, because he represents the dealers.

The CHAIRMAN. You have heard the motion; the motion is that we invite the Secretary to appear before the committee.

(The motion was put and prevailed.)

Mr. BESLEY. Mr. Chairman, I think it is generally understood, and I tried to make it very clearly understood, that I was not representing the department on the merits of the proposed bill. I am here merely to give information on the bill.

Mr. MANAHAN. But you are opposed to this bill after hearing all this evidence.

Mr. McLAUGHLIN of Michigan. Well, what of it? He can have his opinion on the bill.

Mr. MANAHAN. And the Secretary will take his opinion.

Mr. McLAUGHLIN of Michigan. I would rather take his opinion than the opinion of a man who came down here as an attorney and whose opinion was bought and paid for.

The CHAIRMAN. Are you through, Mr. Besley?

Mr. BESLEY. Yes, sir.

The CHAIRMAN. Then we will hear you, Mr. Manahan, on the bill.

Mr. MANAHAN. Mr. Chairman and gentlemen of the committee, I do not appear here as the paid attorney at all. I appear here as a man who has been in this movement for a long time, representing the farmers of the Northwest; representing more farmers, possibly, than any other man; both organized farmers, and unorganized farmers, and cooperative societies. I have been in this movement making this fight for 10 years. I have been conducting investigations, and when I was in this Congress I had investigations made on this matter, in a six-day session, and I know that there is a bureaucracy here in the city of Washington in the Secretary of Agriculture's Department, and every Congressman who is advised knows it. They are prejudiced and steeped in prejudice, and I think that this committee ought to understand and realize by this time that in spite of the fact that Mr. McGovern and Mr. Sullivan and Mr. O'Neill and the others have come down here and made an absolutely clear case in favor of this bill, and we are confronted by a gentleman who has sat here as the representative of the Department of Agriculture, and after he has heard Mr. McGovern with his demonstration, as plain as day and yet, after all that, he goes right on and expresses not only reluctance, but hostility to this bill. He is opposed to this bill.

Mr. STEENERSON. He has a right to be.

Mr. MANAHAN. But the fact is that he is the man to bring to the Secretary of Agriculture the merits of this bill.

The CHAIRMAN. Do you object to the committee inviting the Secretary?

Mr. MANAHAN. Not at all. But I say this bill should be reported out regardless of the Secretary. Unless you can give relief by this Congress, and immediate relief—

The CHAIRMAN (interposing). Is it your desire to discuss the merits of the bill?

Mr. MANAHAN. I am discussing the merits right now. Unless you can get relief by the passage of this bill, and unless you can get it before the next crop movement, it will mean the loss of millions of dollars taken out of the pockets of the producers.

The CHAIRMAN. You are for the bill?

Mr. MANAHAN. Certainly, I am for the bill.

Mr. McLAUGHLIN of Michigan. I sit here as a member of this committee, and if I am influenced, it is my fault, and not the fault of the man who testifies here. I can not imagine any reason why I should not want to know the opinions of these men. I am willing to let any man, no matter how prejudiced he is, testify here. Every time this man has expressed his opinion—I mean the witness from

the Department—he has given his reasons. I do not care anything for his opinion, but I want his reasons. Do you think he would have any weight with the committee if he was unable to give any reasons?

Mr. MANAHAN. The merits of the bill have been gone into. I want to express my opinion and the opinion of the people I represent—and I know I represent the whole Northwest; they are the producers—and I want to express myself on this question. I know this bill is necessary. I know from experience in the Department of Agriculture that it is going to be hard to get relief unless Congress passes this bill. I know that the bill should pass and that we can not expect relief from the Department of Agriculture. I say that with all perfect respect for the Secretary, but he is in the hands of the bureaucracy down there. He will know more about it before his administration is over.

Mr. STEENERSON. Mr. Chairman, I forgot to mention when I was here the other day and testified that I had received a letter from Mr. L. E. Potter, a copy of the letter written to the chairman. He is president of the Minnesota Farm Bureau Federation. He testified before the Secretary of Agriculture on this same question, and he writes a letter here in favor of the bill, and I would like to have it inserted in the record.

The CHAIRMAN. Without objection, it will be so ordered.

(The letter referred to is here printed in full, as follows:)

MINNESOTA FARM BUREAU FEDERATION,
St. Paul, Minn., June 23, 1921.

Hon. GILBERT N. HAUGEN,

Chairman Committee on Agriculture,

House of Representatives, Washington, D. C.

DEAR SIR: This letter comes to you for the purpose of conveying to your committee the wishes of the spring-wheat producers of Minnesota in the matter of grain standards.

You and most of the members of the Committee on Agriculture know me and the organization which I represent. Having appeared already before your committee in recent hearings on future trading, I felt that a letter would carry as much weight as my personal testimony. Therefore, instead of going to the expense of another trip to Washington, I wish to tell you by letter the stand of Minnesota farmers on the bill introduced by Hon. Halvor Steenerson, Representative from Minnesota, to make certain changes in Federal grain grades.

The Minnesota Farm Bureau Federation is made up of 70,000 farmers. They are convinced, by practical experience, that Federal grades now in force work a distinct injustice to spring-wheat producers. They believe that these grades should be modified to conform as nearly as possible to the standards enforced by Minnesota before the Federal standards were adopted. You will notice that the Minnesota Farm Bureau includes from 5,000 to 10,000 more members than when I appeared before your committee two months ago.

We believe that the bill as introduced by Mr. Steenerson will enact into law almost exactly the provisions of the old Minnesota grades, and will be satisfactory to the spring-wheat producers of the Northwest without working to the disadvantage of any other section of the country.

So keenly do Minnesota farmers feel the injustice of the present Federal grades, that the Minnesota Legislature passed a resolution instructing the State board of grain appeals to restore Minnesota grades, although this would have resulted in double standards, State and Federal, in the same territory. It was found impracticable to enforce State grades which differed from Federal grades. Representatives of the Minnesota Legislature and the State railroad and warehouse commission will explain the situation to your committee in hearings on the Steenerson bill.

I merely want to tell you that it is the urgent appeal of spring-wheat farmers that the Steenerson bill, granting them the relief they sorely need, be recommended for passage by your committee and speedily enacted into law.

Very truly yours,

MINNESOTA FARM BUREAU FEDERATION,
L. E. POTTER, President.

Mr. SULLIVAN. Mr. Chairman, I want to make one statement on behalf of the representatives of the Minnesota Legislature who came here as the proponents of this bill, and in favor of this bill. We have every confidence in the world in the Secretary of Agriculture, and we believe it is his firm intention to give us the relief that we seek, but we do not think that we ought to be compelled to wait over this crop season. We believe the relief ought to be given us, either through this bill or through the action of the Secretary of Agriculture, so as to apply to the crop of 1921.

We want to thank the committee and the chairman for your great courtesy and patience in listening to us.

The CHAIRMAN. Without objection the committee will stand adjourned until to-morrow morning at 10 o'clock.

(And thereupon, at 12 o'clock and 50 minutes p. m., the committee adjourned, to meet on Thursday, June 30, 1921, at 10 o'clock a. m.)

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Tuesday, June 30, 1921.

The committee met at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

There were present: Mr. Haugen, Mr. McLaughlin of Michigan, Mr. Purnell, Mr. Voigt, Mr. McLaughlin of Nebraska, Mr. Tincher, Mr. Williams, Mr. Sinclair, Mr. Hays, Mr. Thompson, Mr. Gerner, Mr. Clague, Mr. Clarke, Mr. Jacoway, Mr. Rainey of Illinois, Mr. Aswell, Mr. Kincheloe, Mr. Jones of Texas, and Mr. Ten Eyck.

The CHAIRMAN. Mr. Kelley, we will be glad to hear from you.

**STATEMENT OF MR. GEORGE W. KELLEY, EDITOR OF THE
NORTHWEST FARMSTEAD, MINNEAPOLIS, MINN.**

Mr. KELLEY. Gentlemen, it is pretty warm, and you naturally want to get through with your work as rapidly as possible, and I will occupy very little of your time. In order to save time, I have put down in writing some things that may be helpful.

This is the first meeting that I ever attended in my life called to consider a proposition to reduce the grade of any agricultural product. I have been attending farmers' meetings all my life. Recently we have had a good many in Minnesota to consider how we would raise the grade of our potatoes and our live stock by raising better breeds, etc.

Mr. CLARKE. Just a moment. I did not understand what your business connection was.

Mr. KELLEY. I am editor of the Northwest Farmstead, of Minneapolis, covering North Dakota, South Dakota, and Minnesota. My work takes me to meetings of farmers, and, as I say, in every instance the meeting of the farmers is to consider a project to raise the grades and to make things better. It appears that this project is to consider a way of reducing grades and making something worse. That is not the attitude of the ordinary farmer.

Mr. CLARKE. I hardly think that. I do not want to take issue with you, but my idea of the thing is that we are trying to pay the farmer for the real kernel that is in his wheat.

Mr. KELLEY. I have copies of the bill here and of the present grades and of the old grades in my grip, if you care to see them, but I presume you are already familiar with that.

Mr. CLARKE. Yes.

Mr. ASWELL. May I ask you a question right there? Is it your opinion that the farmers of the three States you refer to are opposed to this reduction of grades?

Mr. KELLEY. Absolutely.

Mr. ASWELL. We have had testimony all this week just to the contrary.

Mr. KELLEY. I know you have. You have had testimony here to that effect.

Mr. CLAGUE. Do you say that the farmers are opposed to any change in the grades?

Mr. KELLEY. Yes.

Mr. CLAGUE. Do you mean the farmers of that country out there?

Mr. KELLEY. Yes, sir.

Mr. CLAGUE. I am from the second congressional district of Minnesota and raise grain in various parts of that State.

Mr. KELLEY. Yes, sir.

Mr. CLAGUE. Will you name one farmer in the State of Minnesota, just name one farmer or one organization in that State who is opposed to any change in the grades?

Mr. KELLEY. Now, let me see. There was a farmer in my office the day I left, and I think he is in your district. He is quite a prominent man up there and his name is Hosmer, Jack Hosmer.

Mr. CLAGUE. Where is he from?

Mr. KELLEY. From Lake Park and that is in a wheat country.

Mr. CLARKE. Is that in your district?

Mr. CLAGUE. No; that is in Mr. Steenerson's district.

Mr. KELLEY. We have had State grain grades in Minnesota since 1885, and they seemed to be very satisfactory until about 14 years ago when some one got the idea of benefiting the farmers by reducing grades, and we have been reducing grades, and the further they have been reduced the more the farmers have been dissatisfied with the results. Why? If you will excuse me just a second, I will get my grip out here in the other room and show you about that.

Mr. JONES. According to the testimony here the present grading system has been reducing the farmer's grades.

Mr. KELLEY. I beg your pardon.

Mr. JONES. I say that the present grading system according to the testimony here has been reducing the grades.

Mr. KELLEY. But you are getting some different testimony now.

Mr. JONES. By reducing the farmer's wheat to No. 5 on account of a little moisture in it when it was otherwise perfect wheat. They have been reducing the farmer's wheat to No. 4 and No. 5 simply because it had a little separable foreign matter in it.

Mr. KELLEY. Did you ever try any of this wheat with wild peas in it? Have you a sample of that wheat here?

Mr. JONES. Yes.

Mr. KELLEY. Did you ever take a little handful of wheat and chew it?

Mr. JONES. Many times. I grew up in a wheat country.

Mr. KELLEY. It makes a pretty good chew. Did you ever try any of these wild peas?

Mr. JONES. I do not know that I ever tried that.

Mr. KELLEY. I have a sample of it here if you would like to try some of it.

Mr. JONES. They claim that the millers separate the wild peas. They do not grind that into flour, do they?

Mr. KELLEY. Absolutely not.

Mr. JONES. Then it is separable and therefore how does it hurt the wheat?

Mr. KELLEY. Now, that is just the question. We are perhaps getting off the line, but what do you define as separable matter?

Mr. JONES. Those particles that can be taken out of the wheat by modern processes which those who handle the wheat in the final process of manufacture into flour have at their command.

Mr. KELLEY. Let me discuss that just as I have written it out here. Just illustrate one way in which such grades are difficult to change. I think it would be a great mistake to put these grades in a shape whereby it would be difficult to change them. They should be subject to change. Let me mention the present status as to wild peas or vetch. Recently in southern Minnesota this weed has become considerable of a pest in the wheat fields. It is a difficult, slow, and expensive process to separate these little black seeds from the wheat.

Mr. JONES. How expensive?

Mr. KELLEY. I can not give you exact figures on the cost.

Mr. JONES. Well, about what does it cost to take that out of the wheat per bushel?

Mr. CLAGUE. These terminal elevators make a business of that.

Mr. KELLEY. That is not the question—

Mr. JONES (interposing). That is an important question.

Mr. KELLEY. I mean to say it is not a question of the number of cents per bushel that it costs.

Mr. JONES. Yes; it seems to me that is pretty important.

Mr. KELLEY. That is important, but there is a more important question involved.

Mr. JONES. First let us have about what it costs per bushel to take that out and then we will go into the more important question.

Mr. KELLEY. I am not posted enough to tell you the exact cost.

Mr. JONES. Would you say that it would cost 2 cents a bushel?

Mr. KELLEY. You bet it would. It would cost more than that.

Mr. JONES. Would it cost 4 cents a bushel?

Mr. KELLEY. I would judge from 4 to 5 cents a bushel.

Mr. JONES. Now, what other element is there that you would regard as more important than removing that foreign matter?

Mr. KELLEY. The fact of its being commercially impossible.

Mr. JONES. What? The wheat or the peas?

Mr. KELLEY. No. For instance, suppose you had a lot of wheat here containing wild peas and we would spread it out on this table and would hire 50 girls to sit here and pick out those little seeds.

Mr. JONES. But that is not the way it is done.

Mr. KELLEY. That is not the way it is done, but it is comparable to that.

Mr. JONES. Assuming your figures are correct, we are going to remove that by paying 4 or 5 cents a bushel for removing it.

Mr. KELLEY. Pardon me, but you can not do that.

Mr. JONES. But you say they do do that before they grind the wheat into flour.

Mr. KELLEY. Pardon me, the thing is commercially impossible. It can be done on a very small scale with a very small amount of wheat such as we are now getting in Minneapolis.

Mr. JONES. But they take it all out before they grind it into flour.

Mr. KELLEY. Let me explain about that. For instance, here is a mill grinding 150,000 bushels of wheat a day, and they have devoted a large room, very much larger than this end of this building here, on three floors of their mill for machinery—not machinery, I should say, but the devices for taking out those wild peas.

Mr. JONES. All right.

Mr. KELLEY. And do you know how much one of those machines will take out?

Mr. JONES. I do not know that that is important, because you say they do take it all out before they grind it into flour.

Mr. KELLEY. It is important as a commercial matter.

Mr. JONES. But they pay 4 or 5 cents a bushel for removing that and they do remove before it is ground into flour. Now, what else could come into it?

Mr. KELLEY. The fact is that on a large scale it would be commercially impossible.

Mr. JONES. But they do it with reference to all the wheat, you say, before they grind it into flour?

Mr. KELLEY. No; they do not do that with reference to all the wheat.

Mr. JONES. Then they grind some of these peas into flour?

Mr. KELLEY. No; they do not do that. Very little of our wheat is infested with wild peas. It is only a small section of Minnesota and some very isolated places in the Dakotas.

Mr. JONES. You are not contemplating increasing that?

Mr. KELLEY. This bill would increase it.

Mr. JONES. Increase the amount of wild peas?

Mr. KELLEY. It certainly would, if it gives a man pay for it.

Mr. JONES. No; that is going to be removed from the wheat and then the producer will be docked for the amount of foreign matter in it, whatever that is.

Mr. KELLEY. Have you ever figured out what a man would get for a load of wheat infested with wild peas after he got the dockage on it?

Mr. JONES. If there was $3\frac{1}{2}$ per cent of wild peas, he would be docked $3\frac{1}{2}$ per cent and the cost of removing that foreign matter, and that looks to me like it is the right way to do it.

Mr. KELLEY. If there was $3\frac{1}{2}$ per cent of wild peas, what would his grain be when he got through docking it?

Mr. JONES. It would be whatever it would test out without the wild peas, less the dockage.

Mr. KELLEY. Would it test more or less than it did in the first place?

Mr. CLAGUE. It would probably test more.

Mr. JONES. It would probably test more in test weight.

Mr. KELLEY. How do you explain that?

Mr. CLAGUE. For instance, here is a sample with $2\frac{1}{2}$ per cent of kingheads.

Mr. KELLEY. I am talking about wild peas now.

Mr. CLAGUE. Here is a sample with 2.9 per cent of kingheads and that can all be taken out.

Mr. KELLEY. Here is a sample with wild peas. How much do those wild peas weigh to the bushel?

Mr. CLAGUE. The wild peas?

Mr. KELLEY. Yes. They weigh from 60 to 62 pounds per bushel, do they not?

Mr. CLAGUE. Yes.

Mr. KELLEY. They are not ordinarily in heavy wheat. They are in light wheat, and when the wheat is tested with those in it, it raises the test weight of that wheat, does it not?

Mr. JONES. If there was only 3 per cent of it, that would not raise it more than one-hundredth of 1 per cent.

Mr. KELLEY. Under the present law they are left in there and they raise the test weight of that wheat.

Mr. JONES. Let us assume they weigh 62 pounds to the bushel and the wheat only weighs 58 pounds and there is only 3 per cent of kingheads in it. That would not raise the test weight.

Mr. KELLEY. No; kingheads will not raise the test weight.

Mr. JONES. What foreign matter would raise it?

Mr. KELLEY. Wild peas.

Mr. JONES. Well, suppose the wild peas weighed 62 pounds to the bushel and the wheat only weighs 58 pounds; if there is only 3 per cent of wild peas that would not raise it more than one-tenth of a pound.

Mr. KELLEY. That is not a fair illustration.

Mr. JONES. What is a fair illustration?

Mr. KELLEY. I will give you one. We have here a sample of wheat that is right on the knife-edge between two grades. The matter of weight would throw it one way or the other.

Mr. JONES. Say it is on the edge between No. 1 and No. 2. Let us get it down specifically.

Mr. KELLEY. All right. Now, then, it is graded No. 1.

Mr. JONES. It would be graded No. 1 but for the peas.

Mr. KELLEY. Yes.

Mr. JONES. And with the peas it would grade No. 2.

Mr. KELLEY. Yes.

Mr. JONES. And if the peas are left in, by virtue of having $3\frac{1}{10}$ per cent of peas it would be graded No. 4.

Mr. KELLEY. No; we have not any cases like that.

Mr. JONES. Take a case where it would be No. 1 wheat but for having $3\frac{1}{10}$ per cent peas, what would it be with the peas in it under the present grading system?

Mr. KELLEY. It would be considerably less.

Mr. JONES. It would be No. 5, would it not? Let us take wheat with $3\frac{1}{10}$ per cent peas in it, which would otherwise be No. 1 wheat.

Mr. KELLEY. You are absolutely right about that. The proposition, however, is this—

Mr. JONES (interposing). Now, adopting your contention, with the peas in it, it would grade No. 5, and without the peas it would grade No. 2.

Mr. KELLEY. All right. Now, here is another proposition—

Mr. JONES. Now, is it fair to grade it down to No. 5?

Mr. KELLEY. Now, I do not say that it is. I am not arguing that these rules should not be changed. I am simply arguing that the provisions of this bill change them wrong. I do not favor the present proposition.

Mr. JONES. How ought they to be changed? The committee wants to know the way they ought to be changed.

Mr. KELLEY. Gentlemen, I do not think it is a question for this committee to change those grades.

Mr. JONES. Yes; it is. That is exactly what we want to do. We are not married to this particular bill offered here. We want to get the facts and get a system established that will deal justly with everybody. That is fair, and that is all we want. We simply want to get at what is right. Here is some wheat with wild peas in it which test 58½ pounds per bushel.

Mr. KELLEY. Yes, sir.

Mr. JONES. That is good wheat. Here is one with 1½ per cent of wild peas. That is all there is wrong with that wheat, but that wheat is put in the No. 3 grade; is that right?

Mr. KELLEY. That is not right.

Mr. JONES. Of course, it is not right.

Mr. KELLEY. However, it would not be right to do as this bill proposes to do.

Mr. JONES. Why? What does this bill propose to do?

Mr. KELLEY. It includes the wild peas as dockage or as separable material when they are not commercially separable.

Mr. JONES. Why are they not separable? It looks to me like that matter would go out all right, and you say it is separated before it is ground into flour?

Mr. KELLEY. If you will invent a machine that will take those out on a commercial scale, there is a reward of \$1,000 waiting for you, so if you can tell where there is such a machine.

Mr. JONES. But you said just awhile ago that they do do that before they grind it into flour. They do that with all the wheat they grind, do they not?

Mr. KELLEY. No, sir; they do not.

Mr. JONES. What do they do with the wheat they do not take that matter out of.

Mr. KELLEY. That wheat has not any of it in it, in the first place. Ninety-nine and nine-tenths per cent of the wheat has no wild peas in it, in the first place.

Mr. JONES. And the other 1 per cent is all the wheat that you have to take this matter out of, and that is all that is affected by that feature of the bill. Now, I am talking about the 1 per cent that is affected. The poor farmer who grows that particular kind of wheat has a problem as well as the other farmers.

Mr. KELLEY. Certainly he has.

Mr. JONES. Let us take up his case. It is all separated before it is ground into flour, is it not?

Mr. KELLEY. Yes, sir.

Mr. JONES. This wheat ought to be graded No. 1, with dockage for the amount of peas plus the cost of separation.

Mr. KELLEY. Yes, sir; and how are you going to arrive at that?

Mr. JONES. That is what I want you to tell me.

Mr. KELLEY. I will tell you how they do it in Canada.

Mr. JONES. How do you think it ought to be done here?

Mr. KELLEY. Gentlemen, I am not enough of an expert to advise this committee or to advise the Secretary of Agriculture, but I am sure that if you leave this thing to the Secretary of Agriculture, Mr. Wallace, he will settle it and settle it right.

Mr. JONES. Let us take up this bill. Why will not this bill do it? But, first, let us get at what they do in Canada.

Mr. KELLEY. This is the standards act. I thought I had it in a little more condensed form here, but I can not find it just now.

Mr. JONES. Can you not give us the substance of it offhand?

Mr. KELLEY. Yes; I can give it to you offhand. The stuff comes in there and we will say it is all right. It has to be 60-pound weight in Canada in order to be No. 1, and that is what it should be in the United States.

Mr. JONES. I think you are probably right on that. I do not know that the bill is perfect in that respect.

Mr. KELLEY. Under this bill you are lowering that.

Mr. JONES. When we get to that matter, we will discuss that particular feature.

Mr. KELLEY. All right. We will now discuss these wild peas. It comes in and it weighs 60 pounds. It is dry and it is graded No. 1 hard. I believe that is their highest designation in Canada or, perhaps, No. 1 northern, seedy. The same thing applies to the way they handle the moisture in Canada.

Mr. JONES. That is the way I think it ought to be.

Mr. KELLEY. The fact is, this, gentlemen—

Mr. JONES (interposing) And it seems to me that this would be true under this bill but for the testing system, and I think perhaps the testing system under this bill is perhaps defective.

Mr. KELLEY. It would lose us a pile of money.

Mr. JONES. I think that is perhaps true, but I am talking about the moisture and the foreign matter. It seems to me the idea of this bill is pretty good on that; that is, to have it noted on the certificate.

Mr. KELLEY. Perhaps I have not before me the bill you are considering.

The CHAIRMAN. I hand you a copy of the new print; the bill has been revised somewhat.

Mr. JONES. The bill provides that these foreign particles and the moister shall be noted on the certificate, so that it would be No. 1, for instance, subject to the amount of foreign particles in it.

Mr. KELLEY. That seems to me to be very fair. I would not say, without your taking better advice on it than I could give, that it is right, but it seems to me to be fair, for this reason: That stuff comes in and the mill buys it. For instance, we have several mills in Minnesota, and, for instance, Washburn-Crosby buys that stuff and they are willing to give a little more for it because they have all this equipment for separating it. They have an acre or two of these cussed little devices, but they will only separate about 12 bushels of

this stuff in an hour. You will see, therefore, that it is commercially impossible on a large scale.

Mr. JONES. But it does not have to be done on a large scale, because, as you say, only a very small percentage of the wheat is affected in that way.

Mr. KELLEY. But if you fix it so that it will be a good thing for them to do, it will be produced on a large scale, because the stuff will be allowed to spread. I talked to an elevator man the other day, and he said, "Wheat. I have not seen any wheat for several years. The farmers in my community are raising screenings, and I do not blame them."

Mr. SINCLAIR. You know why they don't raise good wheat, don't you?

Mr. KELLEY. Certainly I know why.

Mr. SINCLAIR. The climatic conditions make it impossible for them for them to raise anything else.

Mr. KELLEY. No.

Mr. SINCLAIR. I know better. I raise just as much wheat as any man here and I have had 30 years' experience, and I know why we do not raise as good wheat as we did 20 or 25 years ago.

Mr. CLAGUE. I have been raising wheat for 35 years and I know why, too.

Mr. JONES. If he is going to be docked for the foreign particles contained in the wheat plus the cost of removing those foreign particles, and if all of that is to be noted on the certificate, he is not going to attempt to grow that kind of wheat where he can avoid it. I think the farmers out there have got too much sense to do that. I know that they have in my country, which is a wheat country.

Mr. KELLEY. There is a lot more than farming involved in this question.

Mr. JONES. That is true.

Mr. KELLEY. We will say that you raise a good, clean wheat—

Mr. SINCLAIR. We would if we could, but we can not. In the spring wheat region you can not raise it.

Mr. KELLEY. Just a minute about that. I have some figures here—

The CHAIRMAN (interposing). They can not raise it in competition with black rust and a whole lot of other things, and you can not eradicate this foreign matter.

Mr. KELLEY. What percentage of the 1920 crop do you suppose last year was dark northern spring wheat?

Mr. SINCLAIR. Do you mean the percentage of the northwestern Spring wheat crop?

Mr. KELLEY. I mean the receipts at Minneapolis.

Mr. SINCLAIR. I have not any diea.

Mr. KELLEY. I mean the inspections at Minneapolis by the State inspection service. Ninety-six per cent.

Mr. SINCLAIR. Dark northern?

Mr. KELLEY. Dark northern. We can raise good wheat and we do raise good wheat.

Mr. SINCLAIR. There was only very little of it weighing 60 pounds to the bushel. It is hardly a known quantity.

Mr. KELLEY. I can give you some information about that. I saw a sample weighing 63 pounds day before yesterday.

Mr. SINCLAIR. I have seen that, too, and I have raised it.

Mr. CLARKE. That was from Montana, was it not?

Mr. KELLEY. Yes, sir.

Mr. SINCLAIR. But the older ground does not produce it.

Mr. KELLEY. In 1917 our Federal grades called for 59 pounds test weight. Inspections in Minneapolis from August 1, 1917, to July 15, 1918, indicated that 41 per cent of the receipts in Minneapolis—these are not the outgoing inspections, but are the receipts from the farms—41 per cent of the receipts graded No. 1.

The CHAIRMAN. What year was that?

Mr. KELLEY. That was the year 1917-18. That was the crop of 1917.

The CHAIRMAN. For what State?

Mr. KELLEY. They were the receipts in Minneapolis.

Mr. JONES. What percentage was graded No. 2?

Mr. KELLEY. Nine per cent.

Mr. JONES. What percentage graded No. 3?

Mr. KELLEY. Thirteen per cent.

Mr. JONES. What percentage graded No. 4?

Mr. KELLEY. Eight per cent.

Mr. JONES. What percentage graded No. 5?

Mr. KELLEY. Five and five-tenths per cent.

The CHAIRMAN. How much No. 1?

Mr. KELLEY. Forty-one per cent. That was during the time when our old grades first established called for 59 pounds.

Mr. CLARKE. That was the first year of the establishment of the Federal grades, was it?

Mr. KELLEY. Yes, sir.

Mr. JONES. As to that which graded No. 2, have you the figures showing why that was graded No. 2—the percentage of that which graded No. 2 that was because of moisture and the percentage that was graded No. 2 because of foreign particles? Have you that information?

Mr. KELLEY. I can give you that information if I can find it among my papers here. Moisture?

Mr. JONES. Yes; what percentage was graded down because of moisture?

Mr. KELLEY. There was a test made from August 1, 1917, when this began, to July 1, 1918—figures of the State inspection department. Then there was another test, and I may have the dates wrong on that. I believe it was about two months, during the early part of that season, when the Federal grades had just gone on, when they made a test to see what was the result, and this was the result as to moisture. Out of 12,547 cars of spring and durum wheat 53 were graded sample on account of heating.

Mr. JONES. That heating, of course, is a result of moisture, but that would not total the amount that was graded down on account of moisture.

Mr. KELLEY. Of this number, 3,497, which is about 25 per cent—3,000 out of 12,000—were tested for moisture on suspicion; that is, it seemed they were a little damp, so they tested them for moisture. Twenty-five per cent were tested for moisture, and of those doubtful

cars 49.6 per cent, or about half the doubtful cars, graded No. 1. So that you would see that about 12.5 per cent was graded down.

Mr. JONES. No; it would be 25 per cent that was graded down.

Mr. KELLEY. No.

Mr. JONES. Your figures are right. That would mean that about 12.5 per cent was graded down on account of moisture, according to your figures.

Mr. KELLEY. It would be a little more than that—a fraction over that.

Mr. JONES. Yes; a fraction over that.

Mr. KELLEY. Now, these are the exact figures: One hundred and thirty-six cars out of 12,000, about 10 per cent, graded below No. 1 solely on account of moisture. The average moisture of the doubtful cars—that is, the cars they were suspicious of—was 13.9 per cent, which is less than is required for No. 1 by the present Federal grades. That covers the question of moisture.

Mr. JONES. Now, some of that moist wheat that tested 61 pounds was graded down to No. 5 in a class with wheat that tested 53 pounds, solely because the 61-pound wheat had a little moisture in it.

Mr. KELLEY. I doubt if any was graded No. 5.

Mr. JONES. Yes; we had a sample here yesterday, and not only of 61-pound wheat, but 61.5 pound wheat which was graded No. 4 because of a little moisture.

Mr. KELLEY. Would you grade it No. 1?

Mr. JONES. If it were No. 1 wheat I would grade it No. 1 and then have a notation, in some way, either on a certificate or on the grade, as to the excess moisture, so that the purchaser would know just exactly what he was getting.

Mr. KELLEY. I think that is a very fair way to do that. That is the Canadian system.

Mr. JONES. That is what this bill provides.

Mr. KELLEY. It did not provide that when I got it.

Mr. JONES. That is exactly what the present bill does. If there is 14.5 per cent moisture and it is otherwise No. 1, it is graded No. 1, and then on the certificate is put "14.5 per cent moisture." If it is No. 1 wheat except for the fact that it has 15 per cent moisture, it is graded No. 1, and on the certificate it is noted that it has 15 per cent moisture. That is according to the present bill.

Mr. KELLEY. This is the bill which I got from the Congressional Record of May 21.

Mr. JONES. But that is not the bill pending here now.

The CHAIRMAN. The one I just handed you is the last one introduced.

Mr. KELLEY. I am very sorry I did not get that one sooner.

Mr. JONES. Then you really think that would be fair; and if the bill contains that feature and it is graded on its intrinsic merits with a notation of the amount of moisture, you think that would be fair, do you not?

Mr. KELLEY. Let me say that I am not sufficiently expert on this to give you as my final opinion that that would be fair.

Mr. JONES. But that seems fair to you, does it not?

Mr. KELLEY. Let me say this, so far as I have seen it operating in both ways, it would be fair to everybody, for this reason: Wheat

coming in, we will say, with 15 per cent moisture or 16 per cent moisture is millable all right, I think.

Mr. JONES. Yes; certainly.

Mr. KELLEY. Your mill can take it and if it is cool and sweet they can shoot it through the mill, and while they do have to pay for that much water that they could get out of the Mississippi River more cheaply, still it is good milling wheat.

Mr. JONES. And they could make a little difference in the price by virtue of the effect of the excess moisture where that was noted on the certificate.

Mr. KELLEY. Yes. At the same time, to grade it No. 1 without such a designation would be suicidal, for this reason—

Mr. JONES (interposing). Of course, that is true, but the bill does not undertake to do that.

Mr. KELLEY. The old bill which I saw did that.

Mr. JONES. But the present bill does not.

Mr. KELLEY. Let me explain the position of a buyer. You have a bunch of bidders here and you have graded the wheat No. 1 and say that it is all right. This man then has shipped that wheat and we know and everybody knows that if it contains 15 per cent of moisture it is in a dangerous condition and is likely to heat before it gets to where it is going.

Mr. JONES. They would have to make allowance for that, of course, and they could do that where it was noted on the certificate.

Mr. KELLEY. So, if you have a designation, No. 1, damp, it seems to me that it would be certainly fairer than to designate it No. 1, with that amount of moisture in it, with no such designation.

Mr. CLAGUE. We do not attempt to do that at all.

Mr. JONES. That is not the idea at all. You say that it is fair to everybody to grade it No. 1 wheat if it is really No. 1 wheat, with a notation of the moisture, and that that would be fairer than to grade it No. 5 along with a lot of wheat that tests only 53 pounds or along with a lot of wheat that has all kinds of thrash in it.

Mr. KELLEY. Yes, sir.

Mr. JONES. And it would be much better than the present system to have it graded No. 1 with the amount of moisture notated on the certificate rather than to grade it way down to No. 5. That is beyond dispute.

The CHAIRMAN. As I understand it, you agree as to the notation?

Mr. KELLEY. It seems to me that would be fairer.

The CHAIRMAN. You did not have a copy of the bill containing that provision; you were not aware of it?

Mr. KELLEY. I was not aware of it; no, sir.

The CHAIRMAN. So that is a new matter to you?

Mr. KELLEY. I have not made a study of that, but so far as I can see, that would be fair.

Mr. JONES. Now, the next thing is the question of the thrash or the foreign matter in the wheat. It would be better for that to go as a notation, would it not, rather than to grade it down to No. 4 or No. 5, simply because it has some thrash in it?

Mr. KELLEY. I think it would, but I certainly would not allow it to go as the original bill provided.

Mr. JONES. So we are not far apart on these matters. Now, to get down to the other proposition, which is one that I am really bothered about and one which I think—

The CHAIRMAN (interposing). Let us see if we have this question of the dockage clear.

Mr. SINCLAIR.. They are agreed about that.

Mr. JONES. Mr. Kelley seems to agree with me that it would be better to have it graded on its intrinsic merit and have a notation of the amount of moisture, for instance.

Mr. KELLEY. Absolutely.

Mr. JONES. And that is what this bill does.

Mr. KELLEY. Yes.

Mr. JONES. Then would it not also be better, where the only objection to the wheat is the foreign matter in it, to grade it on its intrinsic merit, rather than to mark it way down simply because it had a little of this foreign matter left in it?

Mr. KELLEY. That would be my opinion.

Mr. JONES. All right; now, we are agreed on those two points.

The CHAIRMAN. Now, let me see if we understand each other about the dockage. Are you in favor of dockage?

Mr. KELLEY. Including inseparable matter as dockage is not correct.

The CHAIRMAN. That is what we are trying to get at. That is what this bill proposes to do.

Mr. JONES. It proposes to dock it on account of the foreign matter in it.

The CHAIRMAN. Let me read that provision to you:

All foreign material in wheat, except rye, shall be classed as dockage, and all dockage shall be designated on the grade certificate, but shall not affect the grade.

Are you in favor of that? That is what we call dockage.

Mr. KELLEY. Surely.

The CHAIRMAN. That is on page 2, line 10, of the bill.

Mr. KELLEY. But I will tell you this, gentlemen: Inseparable matter is not dockage.

Mr. JONES. How would you handle it?

The CHAIRMAN. That is what the bill provides.

Mr. CLAGUE. If it is separated, then it is dockage, is it not?

Mr. KELLEY. Yes.

Mr. CLAGUE. And you say they do separate it?

Mr. JONES. You say they separate all of it.

Mr. KELLEY. No; I did not say that.

Mr. JONES. You say they separate all of it before they grind it into flour and that they grind it all into flour.

Mr. KELLEY. The mills in Minneapolis do not grind any wheat containing wild peas. I do not know what other mills may do.

Mr. JONES. Well, let us talk about Minnesota and the Minnesota mills. They are the biggest mills in the country, are they not?

Mr. KELLEY. I believe they are; yes, sir.

Mr. JONES. They grind all this wheat that comes to them?

Mr. KELLEY. No, sir; they do not; they grind all they buy—

Mr. JONES (interposing). We are only interested in what they buy. Now, they grind all the wheat they buy, do they not?

Mr. KELLEY. I should say not.

Mr. JONES. I mean all that they buy for that purpose.

Mr. KELLEY. No, sir.

Mr. JONES. What do they do with it?

Mr. KELLEY. If it is rotten, they sell it. A case happened just a little while ago, and in wandering around on this thing and in talking with different men I got hold of this story: Two mills in Minneapolis bought 1,500,000 bushels of wheat on future contract and they had taken delivery on it and I heard that they had to ship all of it out because none of it was fit to grind. I ran that story down thoroughly. That is, not entirely, but to this extent: I found one mill that had taken delivery on 750,000 bushels of wheat and, of course, they got delivery under the present rules of the chamber of commerce. They were delivered No. 3 wheat and it was not fit to grind.

Mr. JONES. So they had their troubles under the present grading system.

Mr. SULLIVAN. What mill was that?

Mr. KELLEY. Washburn-Crosby.

Mr. SULLIVAN. When was it?

Mr. KELLEY. In the last two or three months.

Mr. JONES. They had their trouble under the present grading system, did they not?

Mr. KELLEY. And why did they have that? They had it because the grade was too low.

Mr. JONES. That is exactly what we are trying to correct. We are trying to establish a system that will prevent that.

Mr. KELLEY. And what have you done? You have lowered it to 57 pounds for No. 1.

Mr. JONES. Let us take that question up later. Let us first dispose of the question of moisture and the question of the thrash in the wheat, and then we will get to that point. I do not know but what you are right on that proposition. But with reference to the question of the thrash in the wheat, suppose there is 3 per cent of kingheads in the wheat and the Minneapolis mills get it; they separate that before they grind it into flour, do they not?

Mr. KELLEY. There are only one or two mills that buy that wheat at all.

Mr. JONES. Well, how about those that do buy it? Just answer the question. They do not grind that kinghead into flour?

Mr. KELLEY. No, sir; they do not.

Mr. JONES. And they do not grind the wild peas into flour?

Mr. KELLEY. No, sir.

Mr. JONES. Then they separate that?

Mr. KELLEY. Yes, sir.

Mr. JONES. If that wheat with this foreign matter in it would otherwise be No. 1 wheat, you would not grade that 61-pound wheat, for instance, down on the basis of 53-pound wheat simply because it had that foreign matter in it.

Mr. KELLEY. On that proposition, I think what you have in mind is all right, but perhaps I have not caught your expression correctly.

Mr. JONES. Let me put it in a different way. Let us suppose that here is some 61-pound wheat and let us suppose that that 61-pound wheat is perfect wheat and No. 1 wheat except that it has

3½ per cent of wild peas in it. Now, that wheat would be graded No. 4 wheat under the present grading system, would it not?

Mr. KELLEY. It would be graded very low.

Mr. JONES. That is in accordance with the undisputed evidence here, and I do not think there is any dispute about it. The experts from the Bureau of Markets said it would be graded No. 4. Now, it is not right to put that wheat down on the same basis as 53-pound wheat, is it?

Mr. KELLEY. That is not right; no, sir.

Mr. JONES. Certainly, it is not right. Now, would it be right to say that that is No. 1 wheat and then note on the certificate the amount of wild peas or foreign matter in it so that the purchaser would know exactly what he was getting?

Mr. KELLEY. It would be absolutely right, in my opinion; yes, sir.

Mr. JONES. So that is the way it ought to be done, is it not?

Mr. KELLEY. Gentlemen, you are asking me to be an expert here and I am not an expert. I am simply giving you my own opinion.

Mr. JONES. According to your best judgment, ought it not to be done in that way?

Mr. KELLEY. If I were a farmer, I would be satisfied to sell my wheat on that basis.

Mr. JONES. And you would not be satisfied to sell it as No. 5 wheat if it tested 61½ pounds.

Mr. KELLEY. You bet your life I would not. I am not defending the present system on that at all, and I will call your attention to this fact—

Mr. JONES (interposing). Now, if you do not like the present way of docking this wheat, how would you suggest getting at that? How would you grade that wheat if you had the establishment of a system of grading? Here, for instance, is 61½-pound wheat that has 14 per cent moisture, and here is perfectly good wheat except that it has 3½ per cent of wild peas in it.

Mr. CLAGUE. Here is a sample of some wheat with 1½ per cent which is put down as No. 3 wheat.

Mr. JONES. We will take this sample as an illustration. This is 57½-pound wheat and has 1½ per cent cockle and wild peas; now, how would you think was the best way to handle that on a grading system that would be really fair?

Mr. KELLEY. Your suggestion is the nearest to being fair of anything my investigation has shown me.

Mr. JONES. Then, if we write into the bill—

Mr. KELLEY (interposing). No; that is not the question here.

Mr. JONES. But I say if we write into the bill a provision of that kind, that will satisfy you, will it not?

Mr. KELLEY. No; because it says all foreign matter except rye shall be classed as dockage, when this other stuff is not dockage.

Mr. JONES. What would you call it?

Mr. KELLEY. I would call it wild peas. I would say that there was 3½ per cent of wild peas in it.

Mr. SULLIVAN. That is what the bill would do.

Mr. KELLEY. Not by a darn sight. It is counted as dockage.

Mr. SULLIVAN. That does not make any difference.

Mr. KELLEY. Yes; it does make a difference. It is not dockage.

Mr. JONES. If we should provide in the bill that it should be graded according to what is actually in it, that would be right, would it not?

Mr. KELLEY. If I am a buyer, and you tell me exactly what that wheat is, that is all I want to know, but if you tell me it is No. 1 with 10 per cent dockage, and I find that it is 7 per cent dockage and 3 per cent wild peas, then I have not got the right information.

Mr. JONES. All right; and if you had 61-pound wheat that is clear, good kernel, and that has no excess moisture in it, but has $3\frac{1}{2}$ per cent peas in it, it would be outrageous on the producer to grade that down to No. 4 or 5 with 53-pound wheat that might have the same amount of wild peas in it and have excess moisture, too, would it not?

Mr. KELLEY. It not only would be, but it is. That is what the system is now, and it is not right.

Mr. JONES. Of course, it is not right. Now, we have about agreed as to those two propositions. Let us have your suggestions as to how the testing as to weight should be done.

Mr. KELLEY. I would not use any different methods from those that you use now.

Mr. JONES. What is the present system?

Mr. CLARKE. Do you think the Canadian system is the best system up to date?

Mr. KELLEY. I can not say that it is. There is some dissatisfaction with that system in some particulars, but so far as these two particulars are concerned, there seems to be more fairness in their methods than in ours; that is, with reference to these matters that we have been discussing.

Mr. JONES. I think that is undoubtedly so. I do not think there is any question about that at all if they have a system along the lines under discussion here. I do not think anybody can reason this thing out logically and reach any other conclusion than that the present system is outrageous with regard to moisture and foreign matter, and that a system along the lines we have been talking about would be much more preferable. I think no one can dispute that proposition.

Mr. KELLEY. Of course, those things are very, very small items in comparison with the entire wheat problem.

Mr. JONES. But they are very important to the particular man who happens to grow that kind of wheat.

Mr. KELLEY. Yes; they are very important to the individual farmer.

Mr. JONES. And even though that number is small percentage, when you put those in the aggregate it affects a good many people, and those people are American citizens and they have a right to have their legal rights protected as well as everybody else.

Mr. KELLEY. The only thing I fear is that in protecting this particular individual you will do so much harm to the other 99.9 per cent that it will very much outweigh the good that you are doing. Had this original bill been adopted, you would have harmed more than 99 per cent of our wheat producers.

Mr. JONES. The law against murder does not affect a great many people, but it is very important to the people it does affect, and these people who grow wheat and produce the elementary wealth of this country and help to sustain all of us ought to have a law which will protect them in their legal rights.

Mr. KELLEY. I am not a lawyer, but I will tell you that if you establish a rule so that this man's wheat over here, just because he is a good fellow, will be graded as No. 1 you might de-grade the wheat of 99 of his neighbors who have raised better wheat.

Mr. JONES. Not if you note on the certificate the exact thing that is wrong with that wheat.

Mr. CLAGUE. This bill provides that they shall be paid according to the intrinsic value of the wheat.

Mr. KELLEY. That is not correct. The intrinsic value of the wheat is not represented here by any means.

Mr. CLAGUE. I do not think you have read the bill carefully.

Mr. KELLEY. We are getting to the test weight now?

Mr. JONES. Yes; let us go to the question of the test weight. I think we have pretty nearly gotten you around to our way of thinking; or, in other words, I think you have the same line of thought that we have.

Mr. KELLEY. You have an entirely new bill here.

Mr. JONES. I think so, too, but I think the new bill accomplishes practically what you think is fair in reference to those two items, although we may have to change the word dockage. At all events, we agree as to the question of moisture, that it simply ought to be noted on the certificate, and that would settle that proposition.

Mr. KELLEY. Yes.

Mr. JONES. And if the bill does that, it is all right?

Mr. KELLEY. But does it do that?

Mr. JONES. Yes; there is no question about that. Now, let us go to the question of this foreign matter. If the word "dockage" would not cover't, how would you handle that? Would you simply note on the certificate just what is in the wheat?

Mr. KELLEY. I would note the percentage of wild peas or the percentage of lingsheads or whatever it was.

Mr. JONES. Just whatever was in it.

Mr. KELLEY. Would not that appeal to you as fair?

Mr. CLAGUE. There is nothing objectionable about that.

Mr. SULLIVAN. That is the intent of the bill as it is.

Mr. KELLEY. It is not the intent of this bill or the action of this bill.

Mr. JONES. We can fix that part of it later, and I think we will fix that so that there will not be any question about it.

Mr. CLARKE. Then it is all a question of dockage?

Mr. KELLEY. Yes, absolutely; and if you call something that is inseparable dockage you are lying to the man who is buying it.

Mr. JONES. That is all right, and I think no one would object to that. I think you are thoroughly right on that fundamental proposition. Now, go to the test-weight proposition and let us have what you think about that.

Mr. KELLEY. Gentlemen, God Almighty set what first-class, good wheat under favorable conditions will develop into; nature says what is No. 1 wheat.

Mr. CLARKE. What chapter?

Mr. KELLEY. In any field, you can go out and see it.

Mr. CLARKE. I want a definition of it.

Mr. KELLEY. I will make you the definition right now. The man who buys No. 1 wheat wants No. 1 wheat, and even though you call something that is not No. 1 wheat No. 1, he will not buy it for No. 1.

Mr. JONES. I think that is true, but tell us about this—

Mr. KELLEY (interposing). Suppose you are going to buy a carload of horses and a man says to you, "I have a carload of No. 1 horses out here on the track I want to sell you."

Mr. JONES. You can not legislate value into them.

Mr. KELLEY. No. You say, "What do you call a No. 1 horse?" He would say, "A No. 1 horse ought to weigh 1,000 pounds and not have more than one spavin or ringbone."

Mr. JONES. Could you not note the spavin, and say that but for that it is No. 1?

Mr. KELLEY. At any rate, that is the definition this man is giving you. And you say, "I will pay you \$25 a head for such horses." And then, maybe, another man comes along and describes the same bunch of horses.

Mr. TINCER. This is pretty hot weather, and God Almighty has not laid out any program on this wheat business, but the Department of Agriculture and the Bureau of Markets has, and they say the difference between No. 1 wheat and No. 2 wheat is so much moisture and so much dockage, and so much of this and so much of the other; the difference between No. 1 and No. 2 wheat is fixed by the amount of foreign material and the moisture in the wheat, etc. Now, a good many people think, and the more we hear the more we are all inclined to think that probably there has not been a very scientific arrangement about that, since God Almighty left it to humans and to Congress to put this thing right.

Mr. JONES. He seems to have the thing mixed in some respects.

Mr. TINCER. It seems to me the proposition of bringing God into it is a little like the Kaiser.

Mr. CLAQUE. Yes; I think so.

The CHAIRMAN. Another thing, the fact that No. 2 wheat is selling higher than No. 1 would indicate that it is a pretty good spavin.

Mr. JONES. What do you think ought to be No. 1 wheat?

Mr. KELLEY. The United States Department of Agriculture has set the test weight of No. 1 wheat at 58 pounds.

Mr. JONES. Is that right or is it not right?

Mr. KELLEY. It is not right.

Mr. JONES. What is right?

Mr. KELLEY. Is there a man here that does not know what No. 1 wheat ought to weigh? There is not. I do not believe there is a man here that does not know what the test weight ought to be.

Mr. JONES. Sixty pounds?

Mr. TINCER. Tell us what you think it ought to be.

Mr. JONES. Put it in pounds.

Mr. KELLEY. In Canada the No. 1 wheat is 60 pounds, and the price is 12 cents higher than our No. 1 wheat.

Mr. PALMER. How many pounds is a bushel in Canada?

Mr. KELLEY. How much it does weigh? Sixty pounds.

Mr. PALMER. You do not know what the cubical contents of a Canadian bushel are?

Mr. KELLEY. No.

Mr. TINCHER. The Canadian bushel of wheat is larger than ours is; that is not a fair comparison. Do you raise wheat?

Mr. KELLEY. I have raised wheat.

Mr. SULLIVAN. How long since?

Mr. KELLEY. About six years. I never raised it in Canada. However, there is a good deal of 60-pound wheat raised, and some 61 and 62, and I have known 63 pounds.

The CHAIRMAN. What should be the test weight of No. 1 wheat?

Mr. KELLEY. You can answer for yourself.

Mr. TINCHER. You can answer, can you not?

Mr. KELLEY. This is the daily market record [indicating a paper]; it gives the prices at which wheat is sold in Minneapolis, and you have the United States grades, No. 1 dark northern, \$1.61, the very highest.

Mr. JONES. What do you think No. 1 spring wheat ought to be in test weight?

Mr. KELLEY. It certainly ought not to be what it is placed in this bill.

Mr. JONES. Where ought it to be? That is a simple question, and as clear as the English language can make it; that can be answered.

Mr. KELLEY. There is the record of the purchases by mills in Minneapolis.

Mr. JONES. Well, can you answer—

Mr. KELLEY (interposing). Let me finish this. And they are buying the highest No. 1 dark northern. Is there any United States grade fancy? Let me tell you what the No. 1 fancy is.

Mr. JONES. This law is not going to apply in Canada; this law is to apply in the United States. What do you think No. 1 spring wheat test weight should be?

Mr. KELLEY. I would make the law 59 pounds, if I were doing it.

Mr. SANDERSON. Let me make a little statement. I was in Winnipeg less than a month ago, and Dr. Burchard, who is in charge of the Winnipeg laboratory, told me that their 60-pound wheat—that is, the 60-pound test weight per bushel wheat that they have there, was equal only to our 58-pound wheat, because of the size of their bushel; the number of cubic inches contained in their bushel and the number of cubic inches contained in our bushel makes the difference.

Mr. KELLEY. Gentlemen, a cubic inch does not vary, but the price does vary.

Mr. JONES. How many cubic inches are in the American bushel; do you know?

Mr. KELLEY. I don't know, and I don't care.

Mr. JONES. Do you know how many cubic inches are in the Canadian bushel?

Mr. KELLEY. Yes.

Mr. JONES. You would put No. 1 at 59 pounds as the test weight?

Mr. KELLEY. I would not put it less than that.

Mr. JONES. You would put it at that?

Mr. CLARKE. That is what he said.

Mr. KELLEY. It has got to be—

Mr. JONES. Now, would you or would you not make No. 1 wheat 59 pounds test weight; would you make 59 pounds the test weight of spring wheat?

Mr. KELLEY. If I were the Secretary of Agriculture and had the grades to make, or if I were on this committee and were making the law, I would have a grade, perhaps, higher than the present No. 1 dark northern, and would call it, as the mills in Minneapolis call it, "fancy milling wheat."

Mr. PALMER. Where do you find "fancy," except in the closing prices in Minneapolis?

Mr. KELLEY. Turn over to page 2 [referring to paper] and you will find the carloads sold on a certain day.

Mr. PALMER. Where do you find "fancy" in there?

Mr. KELLEY. It is classified as dark northern.

Mr. PALMER. Certainly; but where do you find "fancy"?

Mr. KELLEY. You will find it in the price.

Mr. PALMER. In the closing prices?

Mr. KELLEY. No; in the carloads.

Mr. PALMER. It does not mention "fancy" in there.

Mr. KELLEY. It is fancy when you can get the money for it.

Mr. JONES. Let us get his idea about this. You would call 59 pounds the test weight of No. 1 wheat, and then you could put fancy or anything else on it.

Mr. KELLEY. Not necessarily. I would provide a law which would take care of the fancy milling wheat. When a man has good luck and takes good care of his crop, and he gets a 60-pound wheat, a 61 or 62, and I have seen a 63-pound wheat, I would see that he was taken care of.

Mr. CLAGUE. We take care of that.

Mr. JONES. You have put your notation at not less than so many pounds. Let us see what would be your minimum test weight on No. 1 spring wheat.

Mr. CLARKE. He says 59 pounds.

Mr. JONES. Is that right?

Mr. KELLEY. I would not want to be misunderstood as saying that.

Mr. SINCLAIR. What do you attribute this wide spread of 30 cents to; to the low test weight on wheat?

Mr. KELLEY. Partly. There is more spread in the quality of No. 1 than there is between No. 1 and No. 3.

Mr. SINCLAIR. All right. Then how do you account for the wide variation in the spread of No. 3?

Mr. KELLEY. You have a lower grade there.

Mr. SINCLAIR. There are the same fluctuations in price between No. 2 and No. 3 as there is in No. 1.

Mr. KELLEY. That is because of the low grade.

Mr. TINCHER. It takes about four bushels of wheat to make a barrel of flour?

Mr. KELLEY. Yes; or four and a half.

Mr. TINCHER. If it takes four and a half bushels of wheat to make a barrel of flour, and there is a spread of 30 cents, there is four times 30, or \$1.35 a barrel difference in No. 1 wheat in the making of a barrel of flour. I just want to state as a farmer that has had a little experience making wheat into flour—I want to tell you that you are absolutely wrong to say that it is a legitimate spread in any kind of wheat graded as No. 1 to-day. There is not that difference in the quality of the flour in the United States to-day.

Mr. KELLEY. That is a matter of opinion.

Mr. TINCHER. I submit that now, and that any miller can answer the proposition.

Mr. KELLEY. Your assertion is that there is not a spread of 30 cents between the lowest possible No. 1 and the highest possible No. 1 wheat?

Mr. TINCHER. Not in the United States, under any grading system of any State or the Government to-day; that would make \$1.35 a barrel, which would make entirely too many pounds of flour in four and a half bushels of wheat.

Mr. KELLEY. There is such a spread on the market.

Mr. TINCHER. Of course, on the market.

Mr. KELLEY. That is what we are talking about.

Mr. TINCHER. That is the thing we are trying to remedy.

Mr. CLAGUE. But is it fair to the farmer?

Mr. KELLEY. Absolutely, it is not fair to the farmer, and the only means of reducing that spread is to enhance the requirements for the premium grade. You reduce quality when you—

Mr. JONES (interposing). What do you make the weight of No. 1 wheat?

Mr. KELLEY. Gentlemen, you are asking me questions that call for expert knowledge. I have studied this from the economic side.

Mr. JONES. We have got to get down to brass tacks. We are studying this matter to draft a law, and we have to get down to brass tacks. You have been trying to get to this business all along. We have to study this matter if we are going to write a law. What is your minimum test weight for No. 1 wheat?

Mr. KELLEY. I would not under any circumstances bother with this present regulation with the exceptions that we have already mentioned, and the further provision of providing some way to provide for the man who produces first-class wheat, and there is a lot of it produced.

Mr. JONES. I see that. In other words, you would maintain the present Government system of grading on the test weight of the wheat?

Mr. KELLEY. Surely.

Mr. JONES. And then you would abolish the present Federal grading system on moisture and on foreign matter and simply have a form of noting exactly what the wheat contains of those elements?

Mr. KELLEY. I think it would be worth while to investigate that idea. I am inclined to favor it. I can not say I would do that.

Mr. JONES. It goes without saying that the test weight is far more important than the foreign matter or the moisture?

Mr. KELLEY. I could not say that. A lot of moisture would certainly knock the value of the wheat.

Mr. JONES. I mean, ordinarily. In other words, wheat that is otherwise proper wheat and that has 15 per cent moisture in it should not be graded down to a very low grade of wheat simply because it has 15 per cent of moisture?

Mr. KELLEY. That would not be my system of doing it.

Mr. JONES. But you do think that the present system of grading, so far as the pounds per bushel is concerned, is preferable?

Mr. KELLEY. Certainly; because if you make a greater spread here [indicating on chart] you hit the farmer that produces the wheat, and he is the man we want to help.

The CHAIRMAN. When you speak of spread, you mean the premium?

Mr. KELLEY. Yes, sir.

The CHAIRMAN. And when you reduce that you make the spread that much greater?

Mr. KELLEY. Yes; and it operates for the benefit of the elevator man and is an injury to the farmer.

The CHAIRMAN. How are you going to give the farmer the benefit of it?

Mr. KELLEY. I will either raise it to No. ——

The CHAIRMAN (interposing). When you raise it from 58 to 59 pounds you have not got very far; 1 pound is not much?

Mr. KELLEY. Not very far.

The CHAIRMAN. Because some of it tests 61 pounds or 62 pounds.

Mr. KELLEY. Yes, sir.

The CHAIRMAN. How are you going to take care of the 61-pound or 62-pound wheat?

Mr. KELLEY. I think if I was doing it we would have another grade higher than this called "fancy milling wheat."

The CHAIRMAN. Then you are in favor of increasing the grades, instead of dropping one of the five?

Mr. KELLEY. To that extent.

The CHAIRMAN. How many grades do you suggest?

Mr. KELLEY. I want to take care of that man who produces good wheat with another grade.

The CHAIRMAN. This bill suggests four grades; how many do you suggest?

Mr. KELLEY. You are asking me a question that is too deep for me to answer.

The CHAIRMAN. You discussed this question of premium?

Mr. KELLEY. Yes, sir.

The CHAIRMAN. And you propose that we should add one grade—fancy No. 1?

Mr. KELLEY. Yes, sir.

The CHAIRMAN. That would be five grades.

Mr. KELLEY. Yes, sir.

The CHAIRMAN. What do you say about No. 5?

Mr. KELLEY. I have not investigated that enough to give you any answer. The amount of No. 5 is very small, indeed.

The CHAIRMAN. You called attention to the wide spread between the number of grades; in order to correct it you would have to increase the number of grades, would you not?

Mr. KELLEY. It is the spread in No. 1 I am worried about.

The CHAIRMAN. There is not so much to the No. 1, except in a few years.

Mr. KELLEY. You will have considerable of it.

The CHAIRMAN. You will have very little.

Mr. KELLEY. That is the record of the State inspection department for the receipts in Minneapolis.

The CHAIRMAN. That was in 1917?

Mr. KELLEY. It is up to date.

The CHAIRMAN. That happened in the year when you did not have the black rust.

Mr. KELLEY. This is brought down to date.

The CHAIRMAN. How much No. 1 Dakota wheat last year? There was very little No. 1, was there not?

Mr. KELLEY. I do not know about Dakota—

The CHAIRMAN. Well, take the Red River Valley?

Mr. KELLEY. I can not say about Dakota, but of the Minneapolis receipts 31.1 per cent last year were No. 1.

The CHAIRMAN. Last year?

Mr. KELLEY. Yes; for the crop of 1920, up to May 31, was 31 per cent.

The CHAIRMAN. That was at 58 pounds?

Mr. KELLEY. Yes, sir.

The CHAIRMAN. If you make it 59 pounds there would be less?

Mr. KELLEY. But for the last four years we have had 41 per cent of our wheat that went No. 1, and that was without the Durum.

The CHAIRMAN. That is when the wheat matured ahead of the black rust?

Mr. KELLEY. Yes, sir.

The CHAIRMAN. That was in a good year?

Mr. KELLEY. Yes, sir.

Mr. JONES. Could you not take care of that by simply noting where the wheat tested above No. 1, and then noting the test on the certificates?

Mr. KELLEY. I don't think so.

Mr. JONES. Why would not that take care of it?

Mr. KELLEY. It would do very well for purchasers in small mills, but you must remember the United States exports a large quantity of grain. Perhaps you gentlemen could furnish the figures. But several hundred millions of bushels annually; 150,000,000 bushels, or 200,000,000 bushels.

The CHAIRMAN. That had been through the hospital?

Mr. KELLEY. Yes; surely; and I want to talk about that.

The CHAIRMAN. It had been through the hospital?

Mr. KELLEY. Yes; that man in Europe wants to buy good wheat.

The CHAIRMAN. He buys on grade, and buys hospital wheat?

Mr. KELLEY. Yes; he buys on grade.

The CHAIRMAN. And you said a moment ago that he bought, and what he received was not fit to grind?

Mr. KELLEY. If he buys No. 3 that is sometimes true.

The CHAIRMAN. You spoke of miller a who bought 750,000 bushels, which was not fit to grind; it was not up to grade?

Mr. KELLEY. It was up to the grade.

The CHAIRMAN. For No. 3?

Mr. KELLEY. Yes, sir.

The CHAIRMAN. But something that he could not use?

Mr. KELLEY. Yes, sir.

The CHAIRMAN. Why did he contract for something that he could not use?

Mr. KELLEY. The rules of the chamber of commerce permitted that grade.

The CHAIRMAN. That is another thing.

Mr. SINCLAIR. That has nothing to do with the law.

Mr. KELLEY. The rules have been changed, to take effect, I think, the 1st of August.

The CHAIRMAN. If wheat is sold on sample, the certificate of grade does not count for very much, does it?

Mr. KELLEY. It does.

The CHAIRMAN. How? In what respect?

Mr. KELLEY. The buyer could—

The CHAIRMAN (interposing). Look at the chart back of you there, you will find it demonstrated.

Mr. SINCLAIR. Look at June 15.

The CHAIRMAN. There you have June 15, where nine carloads of No. 2 sold at a price between \$1.80 and \$1.90, and nine carloads of No. 1 sold at a price between \$1.60 and \$1.70. What does that mean; of what value is the certificate of grade to the man who buys wheat? The expert in the department says, in many instances, of not much value.

Mr. SINCLAIR. Do you note that there are nine carloads of No. 2 that sold for more money than nine carloads of No. 1?

Mr. KELLEY. I do. I know this part of it. The man that is buying that wheat demands a certificate of grade.

The CHAIRMAN. He demands it, but what is it worth when he gets it? Is it worthless?

Mr. KELLEY. No.

The CHAIRMAN. That is what the department representative says about it. What do you say about it?

Mr. KELLEY. It might be worthless to the miller who buys it to grind, but to the man who buys it to sell again—

The CHAIRMAN (interposing). The certificate is worthless, because it does not show what is in there.

Mr. KELLEY. These grades are—

The CHAIRMAN (interposing). The chart shows that No. 2 was worth more than No. 1.

Mr. KELLEY. That is sometimes true.

The CHAIRMAN. It is quite generally true, is it not?

Mr. SANDERSON. And if it is not worth more than No. 2 all the time, what good is your grade at all then?

Mr. KELLEY. I do not understand you.

Mr. SANDERSON. If No. 1 grade is not worth more than No. 2 all of the time, what good is the grade?

Mr. KELLEY. Well, you sell wheat and buy wheat much as you sell and buy horses; different salesmen and different buyers make different prices.

The CHAIRMAN. You do not grade horses; they are not graded?

Mr. KELLEY. Surely.

Mr. TINCER. All wheat is produced and sold for the purpose of making flour, or milling it into flour?

Mr. KELLEY. Yes, sir.

Mr. TINCER. Horses have no such standard as that.

Mr. KELLEY. We turn them into work.

Mr. TINCER. The proposition is before Congress, and before the Department of Agriculture and the Bureau of Markets, that inasmuch as this wheat is all made into flour, there should be a market difference between the quality of that wheat for the purpose of making flour based on the relative merits of the wheat in making flour out of it; that is the whole proposition. I am very much interested in your testimony, and am sorry I did not get here when you described yourself, to find out who you are. Where is your home?

Mr. KELLEY. My home is in Minneapolis.

Mr. TINCHER. What is your business?

Mr. KELLEY. Editor of the Northwest Farmstead.

Mr. TINCHER. Have you ever had any experience in the grain business?

Mr. KELLEY. I have never bought any grain.

Mr. TINCHER. Have you ever produced any grain, to speak of?

Mr. KELLEY. Yes, sir; I have.

Mr. TINCHER. And what grading system was in vogue when you were selling grain?

Mr. KELLEY. I do not recall; I think the Minnesota grades.

Mr. TINCHER. How many years ago was that?

Mr. KELLEY. More than six years ago.

Mr. TINCHER. You are now editor of a farm paper?

Mr. KELLEY. Yes, sir.

Mr. TINCHER. And you are basing your opinion on your experience as a wheat producer, or an editor of a farm paper?

Mr. KELLEY. I am basing my statements upon an extensive investigation I have made in the past two years. That investigation has been made by talking to the farmers, grain dealers, and other people.

Mr. TINCHER. Did you make a trip down here on purpose to appear before this committee?

Mr. KELLEY. Partly for that reason.

Mr. TINCHER. And you did it because the Steenerson bill was pending before the committee?

Mr. KELLEY. Yes, sir.

Mr. TINCHER. You came here to oppose that bill?

Mr. KELLEY. Yes, sir.

Mr. TINCHER. You came in a representative capacity, did you?

Mr. KELLEY. Representative?

Mr. TINCHER. Yes; whom do you represent here?

Mr. KELLEY. My paper has 100,000 readers, in North Dakota, South Dakota, and Minnesota, and I get letters from those people, maybe 100 a day.

Mr. TINCHER. You have 100,000 paid-up circulation to your paper?

Mr. KELLEY. We had, at the last count, a paid-in-advance circulation of 95,200.

Mr. TINCHER. That is a very nice paper. Here is what I wanted to know: How many of the readers of your paper suggested that you come down here and appear before a congressional committee?

Mr. KELLEY. Not one of them, sir; I came of my own motion.

Mr. TINCHER. Then, you are not here in a representative capacity; you came individually?

Mr. KELLEY. Not at all. This bill will cost my readers many hundreds of thousands of dollars if it is enacted into law, and my bread and butter depends upon the prosperity of those people.

Mr. TINCHER. I see your point. It is entirely proper for you to come here and appear before the committee. Had you not come we might be led to believe that the people of the great Northwest were dissatisfied and wanted something in the nature of the Steenerson bill.

May I take advantage of your presence here to get a little line on a matter that may not be exactly apropos of this question? I suppose you are familiar with the grain futures act?

Mr. KELLEY. I have some idea of it; not very definite.

Mr. TINCHER. You are not familiar enough with it to be a witness on that subject, then?

Mr. KELLEY. No, sir.

Mr. TINCHER. You ought to look that up carefully and write some editorials on the subject.

Mr. KELLEY. I think that matter is going to be settled in some other way. I hope that the United States Grain Growers (Inc.) will settle several of those questions. And I also think in three or four years, or perhaps less time than that, after they get in operation, you will have no difficulty in getting what the farmers want, and what the farmers need.

Mr. TINCHER. A farmer waiting for three or four years for somebody to settle something for him might be like a young lawyer starting out in practice, and the first year he took everything on a contingent fee and lost all his cases and starved to death.

Mr. CLARKE. He came down here, Mr. Tincher—in fairness to him—when he came here he had the original Steenerson bill and started off discussing that.

The CHAIRMAN. There is not much difference between the original bill and this one.

Mr. CLARKE. There is a considerable difference.

The CHAIRMAN. I am not clear as to your answer as to dockage; are you for dockage?

Mr. KELLEY. For dockage?

The CHAIRMAN. Yes; as provided in this bill?

Mr. KELLEY. No, sir.

The CHAIRMAN. I understood you to say you were.

Mr. KELLEY. No, sir.

The CHAIRMAN. What is your objection to it?

Mr. KELLEY. Because that stuff, on a commercial basis, is not legitimately dockage.

The CHAIRMAN. Do you think, if there are foreign materials in it, such as oats, it should be dockage? Oats are separable.

Mr. KELLEY. Certainly it is.

The CHAIRMAN. You are for degrading it; putting it in a lower grade?

Mr. KELLEY. Certainly not. Dockage is dockage.

The CHAIRMAN. I will put this proposition to you: Here is a car containing 100 bushels of oats and 900 bushels of wheat; how many bushels should the buyer pay for?

Mr. KELLEY. He will pay for it what he knows he will get out of it.

The CHAIRMAN. How would you grade it? Suppose I am the buyer, how many bushels should I be obliged to pay for?

Mr. KELLEY. A thousand bushels, 900 bushels of wheat and 100 bushels of oats?

The CHAIRMAN. Yes.

Mr. KELLEY. I would run it through the kicker—

The CHAIRMAN (interposing). Yes; but I am buying it.

Mr. KELLEY. You are buying it?

The CHAIRMAN. Yes; and you are selling it.

Mr. KELLEY. Then that makes a difference.

The CHAIRMAN. I take it you understand what dockage is?

Mr. KELLEY. Yes; it is separable foreign material.

The CHAIRMAN. I am not much of a grain man, but I have for 40 years been growing and selling grain and understand dockage. If it is oats, it is separable?

Mr. KELLEY. It is a separable cereal grain.

The CHAIRMAN. I am now talking about dockage. Are you for docking that car of wheat 100 bushels of oats in it or not?

Mr. KELLEY. Oats?

The CHAIRMAN. A car that has 1,000 bushels of wheat in it with one-tenth oats?

Mr. KELLEY. Your proposition is one that would take more of an expert than I am to answer.

The CHAIRMAN. Here is the bill before you; that is what it says. Are you for the proposed change?

Mr. KELLEY. This bill says, "All foreign material in wheat, except rye, shall be classed as dockage."

The CHAIRMAN. Oats is not rye?

Mr. KELLEY. And therefore it would be classed as dockage. That is the idea; is it not?

The CHAIRMAN. Yes; oats should be classed as dockage.

Mr. KELLEY (reading):

All dockage shall be designated on the grade certificate, but shall not affect the grade.

That is all right—

The CHAIRMAN. Are you for dockage or not; that is what I would like to know.

Mr. KELLEY. That is all right, except that you say "all foreign matter."

The CHAIRMAN. Then you are not for it?

Mr. KELLEY. I am not for calling wild peas dockage.

Mr. CLAGUE. You have it separate, have you not?

Mr. KELLEY. I am not kicking on that, but I want to see myself get a little out of it if I am selling it.

The CHAIRMAN. Then you want the bill amended?

Mr. KELLEY. Yes; I would amend it a little.

The CHAIRMAN. How would you amend it?

Mr. KELLEY. I would have a specification on the certificate saying 5 per cent cockle, or wild peas, or kingheads, or whatever it is.

The CHAIRMAN. You are for the present system?

Mr. KELLEY. That is not the present system.

The CHAIRMAN. Dockage is fully separable?

Mr. KELLEY. Yes, sir.

The CHAIRMAN. That is not separable?

Mr. KELLEY. Wild peas detracts from the grade, which I think is unfair.

The CHAIRMAN. Let us clear up the question of dockage; I want to know whether you are for it or against it, and then we will discuss the fairness or the unfairness of it later.

Mr. KELLEY. That is impossible to answer.

The CHAIRMAN. That seems to be the main contention.

Mr. KELLEY. Dockage—there is dockage in this wheat [indicating sample of wheat], and that dockage should be classed as dockage, but that part that is inseparable.

The CHAIRMAN. Let us discuss this oats proposition.

Mr. KELLEY. Your bill here says that it is dockage.

The CHAIRMAN. Well, are you for that; that is the main question before us.

Mr. KELLEY. It is dockage; it is not wheat.

The CHAIRMAN. To be candid about it, I think it is the only one of great importance.

Mr. KELLEY. I think it is of least importance.

The CHAIRMAN. As pointed out here yesterday by Mr. Sanderson and others, evidently a great wrong has been committed in this dockage proposition.

Mr. KELLEY. In what way?

Mr. SANDERSON. I think the chart in front of you will show you; the upper chart.

The CHAIRMAN. Now, for instance, No. 1 wheat is degraded because it contains 0.2 of 1 per cent excess moisture, and the price is lowered at least 5 cents a bushel.

Mr. SINCLAIR. I think Mr. Palmer could explain that chart, and that would clear up the matter.

Mr. KELLEY. If you would explain that chart, it would explain a good many things here.

Mr. PALMER. Here is 0.2 of 1 per cent here; it has a moisture of 0.2 of 1 per cent too much.

The CHAIRMAN. Two hundred and forty pounds of moisture more than it should contain; is that it?

Mr. PALMER. You are thinking of the carload.

The CHAIRMAN. Yes; the 1,200 bushels.

Mr. PALMER. Yes.

The CHAIRMAN. That is degraded 5 cents a bushel, is it not?

Mr. PALMER. Yes, sir.

The CHAIRMAN. And 5 cents a bushel is \$60.

Mr. PALMER. Yes, sir.

Mr. KELLEY. In answer to that, it goes into No. 2, but you might find No. 2 selling for more than a No. 1.

Mr. PALMER. On the farmers' market?

Mr. KELLEY. Yes.

Mr. SINCLAIR. There is a difference between that and this proposition.

The CHAIRMAN. Two hundred and forty pounds of moisture.

Mr. PALMER. Yes, sir.

Mr. KELLEY. We discussed that and agreed on that.

The CHAIRMAN. If you are agreed on that, there is no use discussing it.

Mr. PALMER. We are agreed on the moisture, and I really think we are about agreed on the other things. The only thing Mr. Kelley contends, and we have been contending, we are going to designate the dockage, but he means this [indicating]; so, for instance, if a man buys wheat with wild peas in it, it will be labeled on the certificate the percentage of wild peas.

Mr. KELLEY. Why not put it in the bill, then?

Mr. PALMER. If it is necessary, Mr. Haugen says to amend it, and if it is necessary we can amend it to cover that.

Mr. SULLIVAN. I suggest that you put in the words, "the kind and character of such foreign material shall be noted on the certificate."

Mr. PALMER. Yes; we can do that.

Mr. KELLEY. I think that disposes of the question.

The CHAIRMAN. Then, you are practically agreed with them on the bill?

Mr. KELLEY. Yes; it should be designated what is.

The CHAIRMAN. It should be dockage?

Mr. KELLEY. Certainly; if it is not wheat it is dockage.

The CHAIRMAN. Then, you agree that the carload refund should be docked 100 bushels? That the seller should be paid for only 900 bushels, instead of 1,000 bushels?

Mr. KELLEY. He should be paid for 900 bushels of wheat and 100 bushels of oats.

The CHAIRMAN. That is true; but that is to be noted on the certificate.

Mr. KELLEY. Yes, sir.

Mr. SINCLAIR. You understand, under the present system of grading wild peas and kingheads are not dockage at all?

Mr. KELLEY. Yes, sir.

Mr. SINCLAIR. They are weighed with the wheat?

Mr. KELLEY. Yes, sir.

Mr. SINCLAIR. And sold with the wheat?

Mr. KELLEY. Yes, sir.

The CHAIRMAN. You are for the change?

Mr. KELLEY. Mr. Palmer's suggestion, I think, changes that.

The CHAIRMAN. Now, what is next in the bill? The grades?

Mr. KELLEY. The grades.

The CHAIRMAN. Tell us about the grades.

Mr. KELLEY. The matter of test weight, we need go no further with that; I think you understand my position.

The CHAIRMAN. I am satisfied with that.

Mr. KELLEY. The proposition of 57 pounds would lose millions of dollars for our farmers.

Mr. CLAGUE. Why would it? Tell us about that.

Mr. KELLEY. Right here you have it [indicating]. I am the elevator man, and here comes a man with a load of wheat, No. 1 dark northern, and I pay him by my card—I take it all of you gentlemen are familiar with that card?

Mr. CLAGUE. I have them right here; hundreds of them.

Mr. KELLEY. There it is—I pick up my card—what station is this? Gardner, N. Dak.; I see it is \$1.41, and I give him \$1.41.

Mr. CLAGUE. Right there, the card is misleading, because the grading is misleading.

Mr. KELLEY. That is true.

Mr. SINCLAIR. Do you know how that price is arrived at of \$1.41?

Mr. KELLEY. Yes, sir.

Mr. SINCLAIR. Tell us how it is done.

Mr. KELLEY. It is supposed to be the price in Minneapolis for that day, less the freight from that station plus 9 cents.

Mr. SINCLAIR. All right; now turn around to the chart behind you and note the average closing price for June 15 on No. 1 is \$1.62 $\frac{1}{2}$.

Mr. KELLEY. Yes.

Mr. SINCLAIR. And the range of prices for No. 1 that day was from \$1.62 to \$1.89 $\frac{1}{4}$, a difference of 27 $\frac{1}{4}$ cents.

Mr. KELLEY. Precisely, and that is what I want to call your attention to.

Mr. SINCLAIR. Do you mean that the farmer sold wheat graded No. 1 at \$1.41—

Mr. KELLEY (interposing). That is why I am here to-day.

Mr. SINCLAIR. If he sold wheat graded No. 1 on that day for \$1.41, he lost 27 $\frac{1}{4}$ cents!

Mr. KELLEY. And if you adopt this bill, he will lose about 40 cents.

Mr. SINCLAIR. You think he will lose more?

Mr. KELLEY. Yes, sir.

The CHAIRMAN. Yes; I think the spread will be greater.

Mr. KELLEY. Sure, it will be greater.

Mr. SINCLAIR. Now turn to No. 3 on the same day, and the average price is \$1.44 $\frac{1}{4}$, and the range here is 40 cents.

Mr. KELLEY. Yes.

The CHAIRMAN. That is the situation, and no one has been able to suggest a remedy. Can you suggest a remedy?

Mr. SINCLAIR. You can see that the loss is just as great on the low-grade wheat as on the No. 1 wheat.

Mr. KELLEY. Certainly. The reason I have not dug into that is because the amount is so much less of that lower-grade wheat than of the higher-grade wheat, as shown by these figures from the inspection office.

The CHAIRMAN. The representative of the department was asked the same question, and he said he did not know any way of overcoming it.

Mr. KELLEY. I do not, but there is a way of overcoming this. Make more grades; I do not say it should be done.

Mr. PALMER. Why should the price the farmer gets be at the lowest price for the day?

Mr. KELLEY. That is a thing I have often wondered.

Mr. SINCLAIR. You can not explain why that is?

Mr. KELLEY. I am not a buyer of the chamber of commerce; I can not explain that.

Mr. SINCLAIR. I understood you to say you knew how that price was arrived at.

Mr. KELLEY. It is this price, less freight and 9 cents.

The CHAIRMAN. What is the 9 cents for; profit?

Mr. KELLEY. For profit and handling.

The CHAIRMAN. Do they take 9 cents for profit and handling?

Mr. KELLEY. There is severe competition for the grain, and often they pay a higher price than is indicated by the card.

The CHAIRMAN. Does the farmer get the benefit of the competition?

Mr. KELLEY. If his wheat is extra good he suffers a loss on account of it.

The CHAIRMAN. The buyers compete for the better quality of wheat?

Mr. KELLEY. I rather doubt that country buyers pay more for it.

The CHAIRMAN. The higher class No. 1 wheat sells at 30 cents premium. I take it the buyers are advised and will compete for that better quality of wheat?

Mr. KELLEY. I rather doubt that. They will, in some cases, and to some extent, but the loss by reason of the hazard will fall on the farmer; your elevator man is going to take care of that hazard.

The CHAIRMAN. But if the farmer ships his wheat he gets the benefit of it?

Mr. KELLEY. Surely, if he ships his wheat directly to the miller, he would get the—

The CHAIRMAN (interposing). He could not ship it directly to the miller.

Mr. KELLEY. Not directly to the large miller but to the commission firm.

Mr. SULLIVAN. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Mr. SULLIVAN. Mr. Kelley, where there is a spread of 30 cents or 40 cents, as shown on the same grade of wheat on the same day, don't you think it would be practicable to arrange, either to the State or Federal Government—to arrange for the publication of a card or bulletin of the sales and prices and grades, together with anything else that affected the price, such as foreign material, or moisture—or anything that affected the price in Minneapolis, and send that out to all these statements?

Mr. KELLEY. That is practically done now, is it not?

Mr. SULLIVAN. How is that done?

Mr. KELLEY. By the Bureau of Markets. We get every day here a sheet so long [indicating] on anything that is sold by the farmer; the liquid milk market and the butter market and so on.

Mr. SULLIVAN. You mean a sheet sent from Washington?

Mr. KELLEY. It is mailed from the Washington State Bank in Minneapolis—that is, on vegetables.

Mr. SULLIVAN. I am only asking about wheat.

Mr. KELLEY. And also live stock.

Mr. SULLIVAN. I am asking about wheat, not live stock.

Mr. KELLEY. I don't know where it comes from.

Mr. SULLIVAN. It is evidently a man named Durand.

Mr. KELLEY. He is the man that sends this card.

Mr. SULLIVAN. I am asking if it would not be practicable for the Government, either State or National, to arrange for a bulletin which would give practically the information throughout the West that a man would have who sits on the board of trade?

Mr. KELLEY. I have gotten pretty well started on a proposition that I think is going to give the farmer that information quicker than the board of trade has it.

Mr. SULLIVAN. You are not answering my question. My question is, Would it not be practicable for the Government or the State to undertake that?

Mr. KELLEY. Surely it would; it is highly important that they should. The information could be sent.

Mr. SULLIVAN. The farmer at these stations could protect himself, if the farmer knew at the stations what wheat sold for in Minneapolis, and he could pick the samples from this bulletin and get samples of his own wheat that compared with them, and find out what he could get for his wheat.

Mr. KELLEY. Yes; I have arranged to have that information sent out now by wireless from Minneapolis to the farmers, and they get it by wireless.

Mr. SULLIVAN. Tell me of one farmer who has a wireless.

Mr. KELLEY. I can not give it to you here; I have not my list here, but I could give it to you if I were at home. I can tell you of one man who made 4 cents a bushel by having that knowledge.

Mr. SANDERSON. If this information is sent out, by wireless or any other way—if it is sent out—would it not be a benefit to the farmer?

Mr. KELLEY. Certainly; that is why I arranged to have it done.

Mr. SULLIVAN. If it would be of benefit to the farmer, why would it not be a benefit to the farmer to have the grades given, with these things designated on the certificate in each case, so that when a carload of wheat is sold in Minneapolis the facts should be sent out to the stations showing the content of the car, as to moisture, foreign material, and so on; why would not that make it a proper grading system to begin with?

Mr. KELLEY. Well, it would make it very complicated, indeed. This idea of a grade of wheat is arrived at by a bunch of wheat, several cars, perhaps, being the same in quality, that can go into a grade.

The CHAIRMAN. You mean to send out cards indicating representative sales?

Mr. SULLIVAN. Yes; representative sales of cars.

The CHAIRMAN. And the premiums paid?

Mr. SULLIVAN. Yes.

The CHAIRMAN. And the premiums paid on No. 1?

Mr. SULLIVAN. Yes.

The CHAIRMAN. And the premiums paid on No. 2?

Mr. SULLIVAN. Yes.

The CHAIRMAN. How would you have that sent out?

Mr. SULLIVAN. That could be sent out; the board of grain appeals could do that.

The CHAIRMAN. The Bureau of Markets is doing something like that. But the reports carried by the press are of little value. The press does not carry full reports. Take, for instance, as to stockers and feeders, it is only once in a great while that the price of stockers and feeders are quoted. The matter carried by the press does not amount to very much.

Mr. SINCLAIR. You understand, Mr. Kelley, the country elevator does not pay any more than probably the lowest price for that particular grade on that day?

Mr. KELLEY. That is it exactly.

Mr. SINCLAIR. He makes the farmer think that is all he can pay. But if the farmer knew that his grain sold for a premium of 10 or 15 or 20 cents a bushel higher, he would know what to expect.

The CHAIRMAN. It seems to me that this investigation has made it absolutely clear that the standards, so far as the certificate of grades is concerned, are of little value and that there seems to be no remedy for that—at least no one has suggested a remedy.

Mr. KELLEY. Not absolutely worthless. I want to say to this committee—

The CHAIRMAN (interposing). It means nothing, because the lower grade sells higher than the higher grades; so it is without value.

Mr. KELLEY. That may happen sometimes.

The CHAIRMAN. Well, the testimony before us is that it happens quite a good deal of the time.

Mr. KELLEY. It is true in this case here [indicating]. Grades have value, however; there is no question about that.

The CHAIRMAN. Tell us how they are of value. You have had it pointed out that it deceives the farmer; it deceives him because the grades are stated, and the chart shows that a farmer may receive more for No. 2 wheat than he will receive for No. 1 wheat, and of what value would it be?

Mr. KELLEY. Here is the proposition—

The CHAIRMAN (interposing). I do not bring that up with a view of criticizing those who fixed these standards. That is not it. But I mention it to point out the difficulty.

Mr. KELLEY. Here is the proposition: A buyer for a mill in Minneapolis was buying wheat, and looked at this little pan of wheat, the sample, and it was beautiful wheat, wheat that weighed 60 or 62 pounds per bushel. It came from a little town in South Dakota—I forget the name of the town—but some little town east of the Black Hills that is in a pretty good wheat country. The buyer paid for that wheat a very high premium price. It looked very good, and he was an expert; that was his business, and he was a high salaried man. That wheat was taken into the mill, and whenever a new lot of wheat comes into the mill they take a sample of every carload of wheat and turn it over to the chemist of the mill, whose business it is to make a baking test, and various other tests, and report on the properties of the wheat. The tests were made, and the buyer was astonished to find that the wheat that he had graded so high was not a good milling wheat. There was a wheat that was inspected and looked fine, and this man thought it was very fine. To proceed with the story: They sent the same commission firm another car of wheat from the same town, and the commission firm sent word to the mill and told them they had another car of wheat, and said, "You had one car from that town the other day; what will you give for this?" And, of course, they did not want it.

Mr. SANDERSON. If it is right for the mill to have the information as to the true milling value, is it wrong for the farmer to have it?

Mr. KELLEY. Certainly not. It is impossible, however, for any man, no matter how expert he may be, to tell by looking at a sample of wheat exactly what its milling value will be. However, this approximates it closely. We do need a disinterested party between the ordinary farmer and the buyer. We do need a disinterested party, like the Government. And so I say, leave the law alone.

The CHAIRMAN. If that is all, Mr. Kelley, we are much obliged to you.

Mr. PALMER. I would like to have a few minutes.

The CHAIRMAN. We will hear you briefly.

STATEMENT OF MR. W. C. PALMER, STATE GRAIN INSPECTOR OF NORTH DAKOTA, FARGO, N. DAK.

Mr. PALMER. The strongest condemnation that has been brought against the Federal standards in this committee was when Mr. Kelley said the millers had bought 1,500,000 bushels of wheat on contract that they could not use.

Mr. KELLEY. No; that is not what was said.

Mr. PALMER. That is what you said; yes. That is the strongest condemnation that has been brought against the Federal standards here. These millers had to buy this wheat on contract grade, and they got some wheat they could not use.

Mr. KELLEY. They have rules in the chambers of commerce.

Mr. PALMER. He was talking about grade 3 wheat. I know something about that lot of wheat, too.

The CHAIRMAN. What is it; tell us about it.

Mr. PALMER. It was wheat that was down on every point, because the mixer had fixed it by putting in the maximum amount of moisture and putting in the maximum amount of kingheads and the maximum amount of rye, and, consequently, it was a wheat that could not be kept. We are trying to get around that in this bill, because if there is any excess moisture or any excess of kingheads we will indicate it, so that when a man buys a million and a half bushels of wheat on contract under this bill he will know exactly what he is getting. That is what he does not get under the Federal standards at the present time. He buys No. 3 wheat and does not know what is in it. The chances are that his wheat will not keep, because it has too much moisture in it or is not good wheat, and that is so without indicating what is in it.

Mr. KELLEY. You are going to give him more moisture.

Mr. PALMER. No, sir; we are limiting the moisture in grade 1 to 14.5 per cent. That runs through all the grades. And if there is any excess of moisture, that is to be indicated on the certificate, the same as they do in Canada.

Mr. KELLEY. You had better make it 14 per cent.

The CHAIRMAN. Do you state positively that wheat is being delivered on future delivery contract which is not millable?

Mr. PALMER. Yes, sir.

Mr. KELLEY. That is true.

The CHAIRMAN. Are you positive of that?

Mr. PALMER. Yes; the representatives of the millers made the same statement at the hearing before the Secretary of Agriculture last April; the same statement that Mr. Kelley has made here.

The CHAIRMAN. If the miller buys for future delivery, if he calls for the wheat he can not use it?

Mr. PALMER. It may be that he can not use it.

The CHAIRMAN. As a general thing, is that true?

Mr. KELLEY. As a general thing that is true.

Mr. PALMER. That is simply because the Federal standards degrade the grade. We have heard so much here that this bill is going to degrade the grade. The Federal standards degrade the grade. For instance, you take No. 5 wheat; they allow 16 per cent of moisture. We have the reports here, and it is shown that a low-grade wheat can not carry as much moisture as a high-grade wheat, and yet these Federal standards allow 16 per cent of moisture in No. 5, and we know that No. 4 or No. 5 can not carry 16 per cent of moisture and be storables.

Mr. CLARKE. What do you think about lowering the test weights?

Mr. PALMER. I will come to that a little later. I want to go on on this subject a few moments. For instance, here on this chart I have some samples of wheat that will grade No. 3 or No. 4—any of

them—but we will take No. 3, because that is in the contract grade. Here is a 60-pound wheat with 0.2 of 1 per cent too much moisture. Here is another one with rye and kingheads, but is low in moisture. Here is one that is low in moisture, but is only a 55-pound wheat. Here is another that is low in moisture and is a 55-pound wheat, but it is clean.

Now, what happens? They all go into the same grade, according to the Federal standards. In the one case we have 59.6 pounds of clean 60-pound wheat in a bushel; in the second case we have 58.5 pounds of clean 60-pound wheat in a bushel; in the third case, we have 58.2 pounds of 55-pound wheat in a bushel, and in the fourth case we have 60 pounds of clean 55-pound wheat to the bushel. But the Federal standards place them all in the same grade. Now, here we have figured the value on the amount of clean wheat in a bushel, and we find the value is as follows: In the case of the first bushel, the value is \$1.74; the value of the next bushel is \$1.71; the value of the next bushel is \$1.45; and the value of the clean wheat in the last bushel is \$1.51.

Here is the average difference between the cash sales and clean wheat. In other words, the difference between the average cash sales and the value of the actual wheat is, in the case of the first bushel, 23 cents; in the case of the second bushel 20 cents, and in the case of the third bushel minus 6 cents, and it is equal on the last one. The Federal standards put them all in one grade. We know they are not equal. So you see the difference would be from minus 6 to plus 23, or a difference of 29 cents.

I will tell you something else that happens. Here is the price paid the farmer, \$1.42. Let us look back here and see where we come out, and I think we will find the value paid the farmer is lower than the price paid for clean wheat on any of these bushels. We are allowing that wheat to be graded according to the Federal standards and we bring this wheat down here. What is the result? One dollar and forty-two cents is the price paid the farmer, not only for the wheat that has kingsheads and too much moisture in it but all the wheat is grade 4 that is marketed in the great Northwest is degraded because the Federal standards allow this wheat to be degraded. I wish you would get that point. It means that, because we allow the Federal standards to degrade it, it degrades all the wheat in the great Northwest.

Mr. SULLIVAN. Doctor, one subject has not been taken up before this committee, and that is how it is a very easy thing to take two or three kinds of No. 2 and No. 3 wheat and make No. 1 wheat by mixing them.

Mr. PALMER. That is a very easy thing, indeed, and we can take a wheat that is down on one factor, and another wheat that is down on another factor, and another wheat that is down on another factor, and we mix them all together and we can make No. 1 wheat.

Mr. SULLIVAN. Illustrate that, where one is light and dry and the other is heavy and wet.

Mr. PALMER. Suppose we have some light wheat here; it might be 13 per cent of moisture; it might have 10 per cent of moisture. There are two carloads here of 62-pound wheat that has 16 per cent of moisture. Now, if that is the only factor it is down on,

we can mix those three together, and they will be sold for No. 1. They are sold by the farmer for No. 4.

Mr. SULLIVAN. The farmers do not mix them?

Mr. PALMER. No.

Mr. SULLIVAN. That is done after the wheat gets to the terminal?

Mr. PALMER. Yes, sir. But I want this to soak in. The Federal standards degrade the grade. I have it here. I have these different factors that degrade the grade, and because of that fact they lower the price on every bushel that the farmer raises, because the price that is paid the farmer is paid on the lowest price for that grade.

Mr. KELLEY. And if the grade is lowered, you will get the prices lowered.

Mr. PALMER. I do not see how you can degrade it lower than the Federal standards do.

Mr. KELLEY. Here you have done it.

Mr. SULLIVAN. Doctor, you take some wheat that has too much rye, or too much foreign material, and was filled up with every degrading factor, it is graded No. 3?

Mr. PALMER. Yes, sir.

Mr. SULLIVAN. And it is the same as if it had an excess of moisture?

Mr. PALMER. Yes, sir.

Mr. SULLIVAN. That is one of the things we think is wrong, because if all the degrading factors exist in a particular sample, it has the same effect in putting it down as if only one factor was present.

Mr. PALMER. Yes; and I can tell you another thing: The only reason the millers favor the Federal grades is that they can buy on the sample. If they could not buy on the sample, they would be here at Washington fighting for a change.

Mr. SULLIVAN. To sum this all up, our contention here is that we want the actual good and bad, the premium, and degrading qualities of a given sample of wheat placed on the grade certificate.

Mr. PALMER. That is it.

Mr. SULLIVAN. And we want—after that is done—we want to find a way, which we will find, of getting that information out to the farmer at the primary market.

Mr. PALMER. Yes, sir.

Mr. KELLEY. May I ask a question: Suppose that wheat comes in from the farmer that has one degrading element?

Mr. PALMER. Just one?

Mr. KELLEY. It goes to the terminal elevator—

Mr. PALMER (interposing). But the farmer sells to his local elevator.

Mr. KELLEY. Sure he does; but what happens to it as it gets to this terminal elevator? Every other degrading element is added to it.

Mr. PALMER. Yes; that may happen—

Mr. SULLIVAN (interposing). They will not add every other degrading element when the degrading element is put on the certificate.

Mr. KELLEY. They will add a little more; they will add all the law will allow them.

Mr. SULLIVAN. Then we will know why it brought a low price.

Mr. PALMER. Now, I want to say a word about the fancy wheat. There is one of the biggest stunts ever pulled off on the farmers in a long time. I am sorry I can not give you any very definite infor-

mation. I have a copy of the Daily Market Record before me. Here is what I thought for a long time fixed the daily average cash price. I thought they took the low price and the high price per carload for the day, and that that average would give us the closing cash price. A new stunt has been worked out. Last November the grain trade invented another grade in giving the closing cash price for fancy No. 1 dark northern. This is what appears to happen—I can not say this is it, but this is the way it looks—that the grain trade, in fixing up this closing cash price, will put all the cars that bring a high price and put them in fancy; and then they will take the carloads bringing a low price and base the closing cash price on these; and that is the basis on which the farmer is paid. The average of all the car sales No. 1 DuS. for June 15, 1921, was \$1.75, but the closing cash price was \$1.62 $\frac{1}{4}$, while the low carload brought \$1.62. Sometimes the lowest is even below the closing cash price. Here, for instance, is \$1.50 closing cash price on No. 2 DuS., and the lowest carload brought \$1.55. That is where your "fancy" comes in. It seems to take the carloads bringing the high price out of consideration in getting rid of the best wheats, but not figuring what the farmer is to be paid.

Mr. KELLEY. And the farmer loses by means of that.

Mr. PALMER. Surely he loses by it. It seems to be done by hocus-pocus, and we have asked representatives of the Minneapolis Grain Inspection Department here before this committee, and they state that they do not know how this closing cash price is fixed. I am at the head of the North Dakota State Grain Inspection Department, and I confess that I do not know how it is fixed.

Mr. Kelley started out by saying that he knew, but he wound up by saying he did not know.

Mr. KELLEY. No.

Mr. CLARKE. No; in fairness to him, he did not say that.

Mr. PALMER. All right; I will take that back. There are a good many things going on that we do not know, and the farmer gets the worst of it.

Keep this in mind, that the thing we are working for is to raise the grades, instead of degrading them.

Mr. KELLEY. Do you raise them if you degrade it from 58 to 57? That is what I want to know?

Mr. PALMER. Perhaps that is true on this point, but we are going to have a marketable and storable grain, and that is one thing we have not got under the Federal grades, because they allow No. 4 and No. 5 to carry so much moisture they are not storable. And even that is true of No. 3. So that anybody that has to buy on future delivery absolutely does not know whether the grain is going to be fit for use or not; and the only man who can take advantage of the Federal grade is the fellow that can buy on the sample grade.

Mr. Chairman, I have here a copy of the chart on the wall showing that the Federal standards put wheat of widely varying value in the same grade when wheat is sold by sample. I would like to have this chart printed in connection with my statement, as well as two short articles on the Federal standards on wheat.

The CHAIRMAN. Without objection, it is so ordered.

(The chart and articles referred to are here printed in full, as follows:)

The Federal standards put wheat of widely varying value in the same grade. This is shown when the wheat is sold by sample and it is illustrated in this chart.

No.	Grade.	Test weight.	Mois-ture.	Foreign material other than dockage.		Clean wheat in 1 bushel.	Aver-age ¹ cash car sales per bushel.	Value of clean wheat.	Differ-ence be-tween cash sales and clean wheat.	Value of mill products.	Price paid farmer.	Differ-ence.
				Rye.	King-head.							
A.....	3	60	14.7	.....	.....	59.6	\$1.51	\$1.74	\$0.23	\$2.24	\$1.42	\$0.81
B.....	3	60	13.0	2	1	58.5	1.51	1.71	.20	2.19	1.42	.77
C.....	3	55	15.0	2	1	58.2	1.51	1.45	-.06	1.99	1.42	.57
D.....	3	55	13.0	.....	.....	60.0	1.51	1.51	.....	2.07	1.42	.65
E.....	4	60	15.2	.....	.....	59.3	1.38	1.73	.35	2.23	1.28	.95
F.....	4	60	16.0	2	3	55.8	1.38	1.64	.26	2.10	1.28	.82
G.....	4	53	14.0	.....	.....	60.0	1.38	1.38	.....	1.99	1.28	.71
H.....	4	53	16.0	2	3	55.8	1.38	1.28	-.10	1.84	1.28	.56
I.....	5	60	14.0	2	5	55.8	1.25	1.64	.39	2.10	1.18	.92
J.....	5	60	16.0	2	5	54.6	1.25	1.60	.35	2.06	1.18	.88
K.....	5	50	16.0	2	5	55.8	1.25	1.16	-.09	1.81	1.18	.63
L.....	5	50	14.0	.....	.....	60.0	1.25	1.25	.....	1.95	1.18	.77

¹ H. R. 7401 will allow payment at local elevator on basis of clean wheat. Prices on wheat average for June 15, 16, 17, and 18, 1921. Prices on mill products average for week ending June 15, 1921, Minneapolis market.

The CHAIRMAN. Without objection the committee will stand adjourned, to meet on call of the chairman, at such time as the Secretary of Agriculture may find it convenient to appear before the committee.

(The following was offered for insertion at this point:)

WHOM DOES THE FEDERAL STANDARDS ON WHEAT PENALIZE?

[By W. C. Palmer.]

The Federal standards provide that so-called foreign inseparable material in wheat shall lower the grade but be paid for at wheat prices, the contention being that this will force farmers to cut out allowing these things to get into the wheat. This means that the farmer gets paid for material that replaces wheat. The farmer may in this way get up to 7 cents for this material, but he is cut in price up to 40 cents or even more per bushel by having the grade reduced. But it does not stop here, as this results in degraded grades and consequently lower prices for the low in the grade. But only a small proportion of the wheat has these foreign materials, perhaps less than 1 per cent. Then all the growers of wheat are penalized in an attempt to penalize the growers of this 1 per cent.

Moisture is also made to degrade the grade. Sixteen per cent of moisture, for instance, puts wheat in grade No. 4, as well as many other factors. Wheat with 16 per cent of moisture is not a storable wheat. It is not a wheat that a miller would buy, nor would an exporter buy it, so the legitimate market for No. 4 wheat is shut off on all No. 4 even though it contained by 10 per cent moisture, unless it is bought on sample. The party buying on contract then does not buy No. 4 nor No. 5 wheat. The millers' representatives stated at the hearings before the Secretary of Agriculture in April, 1921, and the same statement was made before the House Committee on Agriculture in the hearings on the Steenerson bill (H. R. 7401), that they had bought a million and a half bushels of wheat on contract and could not use it. This was No. 3 wheat by the Federal standards.

These same representatives stated that they could not buy wheat for their mills by grade but that they bought on samples. If the millers in Minneapolis can not buy by grade then what is the miller at a distance or the importer to do? He is limited to buying No. 1 and No. 2 wheat, the rest he will have to let alone. Now what effect will that have on the price of Nos. 3, 4, and 5 wheat? And the price paid the farmer is on the basis of what the lowest in each of these grades will bring. Then a system that allows the grades to be degraded so that some of them are not fit for buying, what price

can the farmer expect? And what justification is there for grades that make it possible for a large part of our wheat to be put in such condition that it can not be bought on grade, or in any other way than sample, and that penalizes the grower? H. R. 7401, the Steenerson bill, will prevent this grain degrading and cut out penalizing all of the wheat growers for what a few do.

THE FEDERAL STANDARDS ON WHEAT PROVIDE FOR DEGRADED GRADES.

[By W. C. Palmer.]

The grades on wheat, established by the Federal standards, have four factors that reduce the grade, or degrade the grade. A wheat that goes into grade No. 4, for instance, may contain 16 per cent of moisture, which makes it unsafe for storage. It may contain 3 per cent of kingheads, 2 per cent of rye, which are paid for as so much wheat. It may contain 10 per cent damaged kernels of which 1 per cent may be heat damaged, and it may contain 10 per cent of other wheats, including common white and white club. So that the bushel would only contain 45 pounds of sound hard red spring wheat. And a No. 5 wheat need contain only 39.6 pounds of hard red spring wheat. This shows very clearly that a very low grade wheat can go into grade No. 4, but these standards at the same time put a 60-pound wheat with 15.2 per cent of moisture in grade No. 4 too, even though it is No. 1 wheat in every respect except on moisture. And the 60-pound wheat can carry 15.2 per cent of moisture better than a lower grade can. According to the Federal standards, 60 pounds of all No. 1 hard red spring wheat with 15.2 per cent of moisture is put in the same grade as 45 pounds of 53-pound hard red spring wheat with 16 per cent of moisture, 6 pounds of damaged kernels, 1.2 pounds of rye, 1.8 pounds of kinghead, and 6 pounds of common white or white club—inferior wheat. One can easily see that a No. 4 wheat like that just described will not bring much of a price. The low price that this degraded No. 4 wheat brings is not the end of it, as the price this degraded No. 4 wheat brings fixes the price to be paid for all No. 4 wheat on the local country market. Only a small fraction of the wheat produced contains kingheads, wild peas, wild-rose seeds, or cockle or has too much moisture, yet the Federal standards in lowering the standards to take in this small amount of wheat by penalizing the growers of it are, through the price such low-grade wheat brings, lowering the price on all No. 4 wheat sold at the local markets. It would be hard to devise a more shrewd system for defrauding the farmers. H. R. 7401, known as the Steenerson bill, will remove this grade degrading.

(And thereupon, at 12 o'clock and 10 minutes p. m., the committee adjourned, to meet on call of the chairman.)

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Saturday, July 2, 1921.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

There were present: Mr. Haugen, Mr. Purnell, Mr. Voigt, Mr. McLaughlin of Nebraska, Mr. Williams, Mr. Sinclair, Mr. Clague, Mr. Jacoway, Mr. Kincheloe, Mr. Jones, and Mr. Ten Eyck.

The CHAIRMAN. Mr. Secretary, the committee has under consideration the bill (H. R. 7401) prescribing standards and grades for spring wheat, and we have invited you to be present this morning to make any suggestions which you might care to make.

STATEMENT OF HON. HENRY C. WALLACE, SECRETARY OF AGRICULTURE.

Secretary WALLACE. Mr. Chairman, I do not think I have any suggestions to make. The introduction of this bill is simply in the nature of an appeal to the higher court. At the present time the question of grades is lodged in the Department of Agriculture, and after some

considerable investigation the department established the grades as they now exist. Last year an appeal was made to the department to change the grades. A considerable hearing was held, at the conclusion of which the department made no change. Then, this year, in April, I believe it was—when was the hearing, Mr. Besley?

Mr. BESLEY. April 27.

Secretary WALLACE. I reopened the matter, at the request of various gentlemen from the Northwest, and had a hearing of a day and a half, and at the conclusion of that I went over the testimony very carefully and gave such time as I could to looking into the whole matter and decided with my present knowledge that I had no warrant in changing the grades. My view about it was this, that there should be a careful investigation as to the applicability of the grades at the country buying points, to see to what extent the farmer who sells his wheat to the country elevator is able to sell on the basis of these grades. There are many questions that enter into that. At the hearing it was pointed out that because of the large number of grades it was impracticable for the country elevator to buy by grades, that it did not have enough bins to take care of the various grades. It was pointed out that the effect was to dump a lot of these grades into a few bins, resulting in some loss to farmers who had wheat of the higher grades. I determined that we would make a very careful investigation as to the manner in which these grades worked at the country buying points, and I have selected several men to go into the spring-wheat territory and to study the whole business from the producer's angle.

I may say this to you, that in the hearing which I held in April many inconsistencies in the grades were pointed out, but nothing was said there that convinced me that any other system of grading would work any better. If you are going to have Federal grades at all, then we should make them just as carefully as we possibly can, and, I think, not make changes very rapidly; in other words, permit the trade to adjust itself to whatever grades are established. Whether you make them high or low the result is that the price paid is adapted to the grade, whatever it may be. I think one of the difficulties of the whole matter is that these grades were established in 1917, just two or three months before the Government fixed the price of wheat. That Government price was based on No. 1, with discounts for other grades, and, naturally, everyone wanted to get his wheat into No. 1, or into the highest possible grade; so there was every incentive to make that basic grade as wide as possible, so that you would get the greatest possible amount of wheat in it. With the removal of the Government price that same incentive does not exist, and the price paid for wheat will adjust itself to the wheat whatever the grade may be. I am just giving you the impressions made on me.

I have no hard or fast opinion on the matter. So far as I am personally concerned, I would be glad if Congress would fix the grades. Then I would not have to hold any of the hearings, except to work to your grades, and that would be quite satisfactory to me personally. There is quite a wide difference of opinion among practical men, among the people in our department who have given long study to the matter, among the milling people, and among the farmers, as to whether any changes should be made and whether the grades should be lowered. The whole thing is a highly technical as

well as a practical question. As I say, I would prefer not to make any material changes until I look into the matter carefully from the producer's standpoint. If we find, as a result of our investigations, that changes should be made, we will make them without hesitation, and if we fail to find evidence to justify changes we will let the grades stand as they are.

Mr. STEENERSON. Are these men who are to investigate the grades under your authority or from the department?

Secretary WALLACE. Yes; they are men who have been in the practical work.

Mr. STEENERSON. Why should you not request the governors or the inspection service of these three great spring-wheat States to select one man each to collaborate with these men from the department who have necessarily more limited knowledge of things as they are in the field?

Secretary WALLACE. That may be a good suggestion. We have invited suggestions from the people in the Northwest, especially those who have been criticizing the grades, as to the sort of investigation which they think we should make. I might say this, that the men in the department are all of them practical men, they are men who have been in the "game" and who have been drawn into the department to help.

Mr. STEENERSON. But the trouble is that they have fixed these grades to satisfy the grain trade and have not had the point of view of the producer. These men who have charge of the inspection in the different States, I think, would aid them in getting a fairer point of view.

Secretary WALLACE. We will draw on all the information of that kind we can get.

Mr. STEENERSON. Another thing that I want to call to your attention and that I think is somewhat an erroneous view, is that the fixing of the price of wheat, according to the grade, was the cause of the misunderstanding of the grades, and that during the war, when we fixed the price, necessarily the grade determined the price, and grading down for one of these causes out of four or five causes, down to three, it might sell on the market on the Board of Trade of Minneapolis for the same price as No. 1 wheat, as they frequently do, but that was impossible when the law fixed the price according to grade, and the illustration of what happened when the Government-fixed price was withdrawn is simply proof that the grades were defective, that the grades had not indicated the value. The sample market shows what the wheat is worth on its merit; it was worth sometimes 40 cents a bushel more. That is the lesson to be derived from the fixing of the price according to grade.

The point has been made in the department, which has some weight—and I see that is the foundation of some of your reasons—that the grades proposed in this bill lower the grades, inasmuch as I suppose it fixes the weight of 57 pounds. I myself am somewhat in doubt whether it would not be a wise thing to concede to the department that there ought to be a grade of 58 pounds, and if a proposition was made to have one grade, say No. 1 hard, 58 pounds, and more strict requirements in all of the specifications, would not that be more in harmony with the view of the department?

Secretary WALLACE. Well, I do not know that we have any hard and fast rules. We have simply fixed these grades at what seemed to us to be the best standards. If they are not, if Congress thinks they are not, we are entirely willing they should be changed accordingly.

Mr. STEENERSON. It would certainly relieve the department of the responsibility. For four years the farmers have, so far as I am able to learn, unanimously demanded a change, and the millers and those in the grain trade have opposed it. It seems to me you ought to make some concessions to those that produce the wheat as well as those who handle it.

Secretary WALLACE. Let me say this. We have had almost no complaint from the country direct. That is, such complaints as we have had from the producer have come from those who have come down here representing them. I have been surprised not to have more letters scattered over the producing country protesting against these grades. While it is true that quite representative delegations have been here asking for some change, it is also true that many individuals who seemed to be representative say that no change should be made. I do not know to what extent, taking the spring wheat country, the grades are unsatisfactory. I think there is more complaint in Minnesota because of the greater number of impurities in Minnesota wheat. When you get into the Northwest they protest against any change, because they raise a much higher grade of wheat.

Mr. CLAGUE. Where?

Secretary WALLACE. In Montana and out in the far Northwest where they raise the higher grade wheat—my impression is they are not complaining.

Mr. CLAGUE. They do not compete with us?

Secretary WALLACE. I mean in the far Northwest. I have had a great many letters from South Dakota saying that no change should be made.

Mr. KINCHELOE. Would the change in the grades as provided for in this bill for spring wheat affect even remotely the grading of fall wheat?

Secretary WALLACE. I have not studied this bill carefully, and I can not answer as to that.

Mr. KINCHELOE. As a general proposition?

Secretary WALLACE. As a general proposition, probably some adjustment would have to be made for that.

Mr. TEN EYCK. The strange thing seems to me that we have not had any people here in opposition to this bill. It may be that it was not properly advertised; that, I do not know, but we have not had anyone, that I know of, on the stand here opposing the bill, while we have had a great many in favor of it. I can appreciate what you say in relation to lowering the grades by lessening the wheat, No. 1 and No 2, in the same proportion all the way down, but if that wheat should remain the same, I can not understand why we should not grade the wheat from the kernel and give a certificate of the foreign matter.

Secretary WALLACE. Instead of making it the subject of grading?

Mr. TEN EYCK. Yes, sir. That to me is the strongest argument on either side, to grade the wheat from the wheat and then certify such percentage of other things as may be in the wheat?

Secretary WALLACE. Specify the other things?

Mr. TEN EYCK. That is the idea.

Mr. KINCHELOE. If the grading of spring wheat as provided in this bill is to affect the grading of all wheat, is there likely to be a protest from the fall wheat people by reason of the passage of this bill, thereby changing the grades?

Secretary WALLACE. We have heard very little from the fall wheat people.

Mr. KINCHELOE. If it affects the fall wheat people by reason of the change?

Secretary WALLACE. Of course their protest would be directed to any change that might affect the fall wheat. There are a lot of these technical experts who could answer that and go into it more technically. Mr. Besley, have you any opinion on that? Of course any protest from the fall wheat people would come in regard to any change that might be made.

Mr. BESLEY. It strikes me this way: If favorable action is taken on this bill by Congress which will involve the fixing of spring wheat standards by grades, presumably the question of whether Congress should establish grades for other wheat and for other grains would immediately arise.

Mr. KINCHELOE. No; that is not my question, whether the passage of this bill changing the grades of spring wheat would necessarily compel your department to make changes in the grades of fall wheat, and is there not a probability of great protest coming from the fall wheat people by reason of the changes made necessary by reason of the passage of the bill if that is a fact?

Mr. BESLEY. Of course Mr. Steenerson's bill provides only for changes in the spring wheat standards.

Mr. KINCHELOE. Absolutely.

Mr. BESLEY. I believe that if the department wished to be consistent with fall and spring wheat it would also lower the standards for the fall wheat.

Mr. TEN EYCK. If we left everything the same, with the exception as to the certification as to the foreign matter, that would not have anything whatever to do with the fall wheat.

Mr. BESLEY. You must change that anyway. I doubt whether it would make any difference.

Mr. TEN EYCK. The thing as defined in the plan applies to all wheat, spring and fall wheat alike. If we follow the suggestion of this bill, we would be confronted with one of two propositions, either to change the dockage to apply uniformly to all or to have a different condition. The planting of the wheat in the spring is what places the foreign matter there?

Mr. BESLEY. Yes, sir. The fall planting kills the weeds.

Mr. TEN EYCK. That is true. It is also true that the fall wheat contains dockage?

Mr. BESLEY. Some.

Mr. O'NEIL. Did you ever know of buckwheat, kinghead, and wild peas occurring in winter wheat?

Mr. BESLEY. No.

Mr. KINCHELOE. I should like to ask you the same question that I asked the Secretary, whether the passage of this bill which will

change the grading of spring wheat will necessitate any change in the grading of fall wheat?

Mr. BESLEY. I think the answer is this: The department would not necessarily have to make any change in fall wheat except to the extent that it would hardly seem to be the right thing to change the standards for spring wheat without also changing the standards for winter wheat.

Mr. KINCHELOE. Are the fall-wheat people satisfied unanimously with your present grading?

Mr. BESLEY. We have had no complaint, I might state, whatsoever, or at least practically no complaint of the fall-wheat standards.

Mr. TEN EYCK. Personally, I am rather opposed to the House of Congress making standards on anything; it does not appear to be the right place to do it. However, I do not think that Congress should shirk its responsibility, if somebody else refuses to do it and it is necessary to be done. I feel that this is a question that ought to come from the department experts working in conjunction with the growers and other people interested, the same same as we have other bills along that line. I feel that this is a question, however, that ought to be given a lot of consideration by your department and some understanding reached whether or not you can not handle it satisfactorily to these other people before we are in a position where we feel that it should go through and be passed by Congress, because it is a bad precedent to establish, to commence adopting standards by a lot of people who do not know because they have not had the experience. We, as a committee, might know, but the Assembly voting on it might not.

Secretary WALLACE. As you understand, the department has not refused to accept responsibility in this matter. It has fixed the grades.

Mr. TEN EYCK. I know that.

Secretary WALLACE. Repeated requests have come for changes in those grades. As a result of those requests, two hearings have been held, one last spring and one this spring. As a result of those hearings the previous Secretary of Agriculture found no justification for a change.

Mr. TEN EYCK. I understand.

Secretary WALLACE. And I could find no reasons which would justify me in making any substantial change at the present time. The hearings were not at all satisfactory, I may say to you. Let me say also that if I had any prejudice in the matter it was in favor of the producer and of adapting the grades to his benefit. That is my natural prejudice. You can attack these grades in innumerable ways, you can prepare samples to show that there is inconsistency, you can quote range of prices for the same grade, and all that, but when it is all said and done, this impression was left upon me, that I lacked the information which would justify any substantial change in the grades. I concluded, after it was all over and after holding long consultations with people, that if I had time myself I would go into that country and spend a month or longer with an absolutely open mind to see whether a change in the grades would actually be helpful and justified. Not having the time, I determined to send some practical men to look into the matter.

In making the study of wheat grades, there were a number of questions that came up that were asked the different ones, and I had a great deal of difficulty in getting satisfactory answers to them. They were such questions as these: "Do you believe there should be Federal grades at all? Do you believe that those grades should be so determined or fixed as to make them mechanically determinable, so far as possible? In other words, would you take a certain per cent moisture and say that that should be taken as dry wheat, or would you go back to the old rule of thumb method of depending upon the judgment of the individual inspectors? Should the dockage be made upon the basis of the grade, or, as suggested here, should it be noted or certified to, without establishing the grade?" There were a number of questions of that sort which were asked, but to which it was difficult to get satisfactory answers. The result of the whole thing was that I spent a good many nights in going through and studying the previous hearings before I went into this one, or into the study of this one. Let me preface this statement by saying that if you want to fix these grades, it will be entirely satisfactory to me. I will have no criticism of you at all if you want to fix these grades, but if you want my opinion, I would say that I think it would be wise to make this investigation that we have provided for and study the thing in the field and try to determine to what extent these grades are applicable, and to what extent they are not fairly applicable, and to what extent the grades at the terminal market are reflected back to the buyer when he brings his grain to the country elevator.

Mr. JONES. According to the testimony here, the principal elements in the grading of wheat are the test weights, the moisture, and the foreign matters that are in the wheat. It seems to me from the testimony that the principal objection—and I do not say that any better system could be had, but I am speaking of it from the point of view of the present system—is that wheat which is perfect wheat in every other way, but which has a little excess moisture in it, is graded down into the same class with wheat that has all of those defects in like proportions. That does not seem to be quite fair under the present system.

Secretary WALLACE. How would you avoid that under any system? The seller who sees the wheat, knows what it is, and, consequently, there is paid a higher price for it.

Mr. JONES. Perhaps that is so when it reaches the miller, but not when it leaves the hands of the farmer. The price is based on the grade, and the better wheat is bought at the price of the poorer wheat of that grade. It is the mixers who stand in between that get the benefit of that difference.

Secretary WALLACE. I do not know whether that is true, or not. That is what I want to look into. I want to know whether that is true or not.

Mr. CLAGUE. It is necessarily true.

Mr. JONES. Let me give you a specific illustration from the testimony here: We had an actual sample of wheat that tested $61\frac{1}{2}$ pounds to the bushel, and, of course, that is good wheat from the test-weight standpoint. I might add that the testimony here shows that the test weight is really the most important thing. This wheat tested $61\frac{1}{2}$ pounds to the bushel; it had no excess moisture in it, or about 14.2 per cent moisture, or practically no excess mo-

ture, but it had 3.3 per cent of peas in it. Now, that was practically perfect wheat; its test weight being 61½ pounds to the bushel, with 14.2 per cent moisture, and 3.3 per cent peas. That was graded as No. 4 because of those peas. Now, alongside of that sample we had another sample that tested 53 pounds to the bushel in weight, with over 15 per cent moisture, and it had 4 per cent peas, but it was also graded as No. 4.

Now, of course there is a vast difference between those two samples of wheat. The first sample was fine wheat in every other way, but it had this excess of peas, which were separable, and it was graded down with the 53-pound wheat, which had more moisture and fully as much, if not a little more of peas, or we will say that it had the same amount of peas. It occurs to me that there might be some question about lowering the grades on the basis of test weight, although I doubt the wisdom of lowering the basis of the grades on account of test weight, but you should hold that up to where it is proper, or put it higher, if necessary. However, when you have this fine wheat on the test-weight basis, if you fix the grade on that, and then note the amount of moisture, and the amount of foreign matter, and let it be bought on the basis of the grade, then, if it has a little more excess moisture or a little execss foreign matter, the man who bought it could vary the price a little on that account and know what he was doing. He could specify that it should have no more than a certain amount of moisture or foreign matter in it. I thoroughly agree with Mr. Ten Eyck that it would be better for the department to handle it, but it seems to me that to grade wheat down because of a less important defect with other wheat that has not only that defect, but other far more important defects, would tend to run the price to the producers down quite a good deal, and the evidence shows that it does run it down.

Secretary WALLACE. If you gentlemen can satisfy yourselves on that and say that you want to fix the grades, it will be entirely satisfactory to me. You spoke of peas, and the statement was made at that hearing that peas were easily separable, but it has not been developed that they are easily separated, because it is difficult to separate them. One statement was made by a gentleman who had a beautiful lot of samples of wheat in reference to the determination of the moisture in wheat. Before he got through, I asked, "Can you guess at the amount of moisture in that sample to your right?" He took up the wheat and ran it through his hands and said, "About 11.5 per cent."

Mr. JONES. As a matter of fact, even though it were difficult to separate peas from the wheat, if it were put on the basis of the grade or the test weight, then you could allow the cost of separating the peas and still have a real basis or a good basis on which to grade the wheat.

SECRETARY WALLACE. I was going to ask that question of you, because I concluded I could not determine it.

Mr. TEN EYCK. The testimony that we have seems to carry out the idea that some materials could be separated through screens, but that some other foreign materials could not be separated that way satisfactorily. They get at the amount of such foreign materials, and the amount they take out on that account might represent about 8 cents per bushel, but the fact that it was in the wheat when sold by the farmer may have caused him to receive a difference in the price of

the wheat of somewhere around 40 cents per bushel. The idea that goes through my mind is that we might get it on a basis where the man actually knows what he is buying, not of a grade, but from a grade with a certificate recording the amount of foreign matter in it, just the same as the Lever bill seeks to carry out that same idea so as to cover the amount of wool in a suit of clothes. I am not a good judge of that, but we might call it a No. 1 suit of clothes. If I did not know the percentage of wool in it from the statement of some experienced person, perhaps my wife. I could not tell whether I was buying a wool suit of clothes or not or a suit of all-wool clothes. My idea is to put it up to the purchaser or manufacturer in such a way that he will know absolutely what he is buying. They will know whether or not they can get out these degrading foreign matters, and they will pay for it on that basis. I do not want to control the price, and I do not think that this committee in any way wants to control the price. The idea of the committee is this, that we should put wheat on the market in such a way that everybody knows what he is getting. If he is buying No. 1 wheat, he is buying it in accordance with the kernel test, with a certification with regard to the foreign matter and amount of moisture in the wheat.

Mr. KINCHELOE. You were speaking of this contemplated investigation you were going to make. Is that to be made right away?

Secretary WALLACE. Yes, sir.

Mr. KINCHELOE. And you will go so far to send your experts right out into the country?

Secretary WALLACE. Yes, sir.

Mr. KINCHELOE. Let me ask you this, respecting the conference body to which you referred: Were the people attending that conference representing producers who were opposed to this change in the present grades?

Secretary WALLACE. Yes, sir.

Mr. KINCHELOE. The reason I asked that was that there does not seem to be anybody appearing before the committee opposing the bill on behalf of producers.

Secretary WALLACE. I had letters from producers direct saying that delegations were coming down to urge some changes, and they said, "Do not make any." There were one or two men who were here who said to me that, in their opinion, it was better to let the grades alone. I had many letters from millers protesting against any change in the grades on the theory that any lowering of the grades would tend to interfere with the movement of wheat. I do not think there were any delegations, aside from the millers, who were protesting against any changes, but individuals did.

Mr. KINCHELOE. Do you have any idea how long it will take to make this contemplated investigation?

Secretary WALLACE. I think it should run through the marketing season. It would take two or three months to make such an investigation, and we are not going to stop anywhere until we get at the merits of the whole matter.

Mr. KINCHELOE. You will make a thorough investigation of the whole matter?

Secretary WALLACE. Yes, sir; and the basis of that is simply this, that I want to be satisfied myself that I am doing the wise thing in changing the grades. I am not willing to simply take the judgment

of some one else on it, but I must be morally sure that I am doing the wise thing. That is why I am going to make this investigation.

Mr. CLAGUE. You say that you had producers who protested. Can you give us any idea as to whether those producers were really representing any number of farmers of Minnesota and the Dakotas who were opposed to this change?

Secretary WALLACE. I think they were not delegations representing producers, but were individuals.

Mr. CLAGUE. As a matter of fact, the representatives of the Farm Bureau organization, representing something like 80 per cent of the farmers of Minnesota and the Dakotas, asked this change, and representatives of other farm organizations in Minnesota and the Dakotas did the same thing. I want to make this statement: I think I have attended not less than 100 meetings in Minnesota and the Dakotas, and I never heard of a farmer in my life who was satisfied with the present grades. I never heard of one.

Mr. STEENERSON. Neither did I.

Secretary WALLACE. That will be a part of the business of the men we will send out—that is, to talk with the individual farmers as well as others, and to try to get at the merits of this whole matter.

Mr. JONES. Mr. Secretary, I thoroughly realize the difficulty of making a grading system that will deliver equal and exact justice to every interest, and I realize the responsibility you would have in changing the system that has been in operation, but, in view of the fact, that much the more important element in this grading is the test weight, I was wondering if it would not be possible to have wheat graded on the basis of weight by serial numbers, and then to formulate some other system, either of noting the amount of these foreign matters, or of grading the amount of foreign matters by the signs A, B, and C, or some other system, which would differentiate between wheat that had an important defect and that which did not have an important defect, or wheat that had a very unimportant defect and that which had a number of defects. It seems that under the present system of grading—and I am just asking this question so as to bring the matter out and elicit the information—wheat that has one of those defects, even if it is of small importance, goes in the same grade all along the line with wheat that has them all, including the less and the more important. Just to illustrate what I mean, here is a sample of wheat that tests 58.5 pounds per bushel. In that wheat of which the test weight is 58.5 pounds per bushel there is 1.1 per cent of wild peas, and that grades it down to No. 3. It has test weight enough to bring it to No. 1; it has no excess moisture, but it has this small percentage of wild peas, and we have had evidence to the effect that wild peas are separable.

In fact, all the testimony shows that it is separable. Now, if you could have that wheat graded as No. 1 on the basis of the test weight, and then grade it on the line following as, say, A, B, or C, or whatever would indicate the percentage of wild peas, if it is practicable to do it that way, it seems to me that that would really come a little nearer to the real facts. Now, I have lived in a wheat country all of my life, or in a winter wheat country, but I do not know anything about spring wheat, and I know that the local buyers in that section gauge their prices on the grade of the wheat. They are

not familiar enough with all these other elements to give the farmer the benefit of wheat that may have just one element that brings it down, so that I think the farmer loses, or some of them, at least, lose on this grading system. Whatever a better one can be devised, or not, is the question.

Secretary WALLACE. Are these samples you have, samples that have been prepared, or were they taken from wagons?

Mr. JONES. They were taken out of the wagons. Very likely there are a number of these that are more or less exceptional, but you can see that grading between these exceptional cases and the main cases there is a considerable percentage. In fact, it is shown that more than $12\frac{1}{2}$ per cent is graded down considerably because of wild peas and things of that sort in spring wheat. I am talking about spring wheat now.

Secretary WALLACE. You do not mean that percentage of all spring wheat on account of wild peas?

Mr. JONES. I do not mean $12\frac{1}{2}$ per cent with reference to wild peas alone, but the testimony shows that $12\frac{1}{2}$ per cent was graded down because of foreign elements in it, including wild peas and other things.

Secretary WALLACE. According to the testimony, there is a tremendous variation as to these grades. You have a question that comes in there that ought to be considered, and the same thing applies to cattle. Of course, we have no fixed cattle grades, but we have in market parlance cattle grades, and prime choice represents one thing in one season and quite another thing in another season. What percentage of the wheat graded No. 1 last year?

Mr. BESLEY. I will have to guess at it, but it is around 40 per cent this year, or up to March 31.

Secretary WALLACE. What was it the year before that?

Mr. BESLEY. The year before that it was very much less. In connection with that, you must consider that year before last was one of the worst crop years in the Northwest. I think it was between 12 and 15 per cent that graded No. 1. In the year before that a very large percentage graded No. 1, probably around 75 per cent.

Mr. JONES. Is that based upon grades at the mill or at terminal markets or at the farm?

Mr. BESLEY. It is based on carload lots.

Mr. JONES. Is that based on terminal market grading?

Mr. BESLEY. Yes, sir.

Mr. JONES. In the meantime, the mixer might have had hold of that wheat, and that does not give us any evidence at all of what it was graded at when the farmers sold it.

Mr. BESLEY. The figures which I have just stated are based on carload lots which came direct from country elevators to such terminals markets as Minneapolis and Duluth. I have no records to show what was the grade at the country point, because we have no jurisdiction over the country elevators.

Mr. O'NEIL. Did you take into account the outgoing as well as the incoming wheat?

Mr. BESLEY. The figures I have quoted are based on incoming wheat.

Mr. JONES. I am referring to this sample here that tested $58\frac{1}{2}$ pounds to the bushel, with 1.1 per cent of wild peas in it, and that

was graded No. 3. According to this grain standard, wheat that tested 55 pounds to the bushel, with 15 per cent moisture, or an excess of 1 per cent, or, at least, one-half of 1 per cent moisture, and with very nearly 3 per cent of wild peas, would also be graded as No. 3. It seems to me that there is no comparison between the quality of wheat that has all three of those elements, or even two of those elements, and this sample that has only one of those elements.

Secretary WALLACE. I quite agree with you on that.

Mr. JONES. Here are two farmers, side by side, and one has grown this fine wheat that is graded No. 3, and the other one has grown this other wheat, with a tested weight of 55 pounds to the bushel, 15 per cent of moisture, and nearly 3 per cent of wild peas. There is that difference between the two samples, but the buyer of that wheat buys it on the basis of the grades, and he will naturally allow the two farmers the same price. The good farmer, or the one who furnishes the fine grade of wheat, will receive no more than the other.

Secretary WALLACE. That is what I do not know. I do not know whether he does, or not. When you get to that point, I do not know about it.

Mr. JONES. Is it your purpose to investigate these actual prices to the farmers, and the bases on which they are arrived at?

Secretary WALLACE. That is the point exactly.

Mr. JONES. Then it is your purpose and object to secure, if advisable, the necessary modification to eliminate the objections, from a practical viewpoint?

Secretary WALLACE. The whole purpose is to try to make grades that are fairly applicable at the country buying points; you have got to start there. Now, when you come down to what the farmer is getting, I do not know how I can correct matters mentioned by a lot of folks who are disposed to generalize, until I see if their generalizations apply to the country points. That is why I thought, after looking it over, I might be able to do something.

Mr. JONES. Of course, the rule can not be made for the exceptional case, but it can be made, perhaps, for the class of cases that have been discriminated against. I believe that is all, Mr. Chairman.

The CHAIRMAN. Mr. Sinclair, have you any questions to ask?

Mr. SINCLAIR. Just a few. Mr. Secretary, you are familiar with the card system that the elevators in the country buy on, are you not?

Secretary WALLACE. The card sent out—

Mr. SINCLAIR (interposing). The card sent out from the terminal centers?

Secretary WALLACE. Yes, sir.

Mr. SINCLAIR. Those cards are not based on the highest price paid for any particular grade, are they, as a rule?

Secretary WALLACE. You are asking me to talk of something I do not know about. You have the cards there, have you not?

Mr. SINCLAIR. I have the cards. The facts are that our testimony all shows that generally they are based on the lowest price of grain of a particular grade on the terminal market on any particular day and, of course, that naturally tends to give the farmer who sells at the country market the lowest price paid for that particular grade. In other words, these wheat fluctuations in any one grade are not reflected in the price that the farmer gets in the country market?

Secretary WALLACE. I do not know whether they are or not.

Mr. SINCLAIR. Our testimony has been to that effect.

Secretary WALLACE. You see, every time you reach that point you come to the point that I am investigating.

Mr. SINCLAIR. Of course, personally, as a producer of some grain and a seller at the country points, I know that to be a fact. I am glad to know that the Secretary is going to make the investigation right out where the farmer sells, because that has been the thing that has been the bone of contention for a number of years, and it is the thing that there has not been sufficient evidence presented to the department here or at Washington upon. Mr. Chairman, I do not believe I have anything further.

The CHAIRMAN. Mr. Voigt, have you any questions?

Mr. VOIGT. No questions.

The CHAIRMAN. Mr. Secretary, it seems impossible to establish a grade that would definitely indicate the intrinsic value of the grain. I think that is indicated by your experts, they all seem to admit that. If so it all resolves itself to the selling on samples, does it not?

Secretary WALLACE. The matter of buying on a sample where the buyer can see the grain will always be a determining factor, whatever the grades may be. You can say that wheat that weighs 50 pounds per bushel will be No. 1, but that will not make the buyer pay the same for that wheat as he would for wheat that weighs 60 pounds per bushel. He is going to exercise his judgment, whatever grade you establish.

The CHAIRMAN. I understood it is impossible to fix a grade definitely indicating the quality and value of the grain.

Secretary WALLACE. It is an advantage to have the grades established, so that when you say No. 1 we know exactly what that means, but there are a number of highly technical questions come in there.

The CHAIRMAN. When No. 1 wheat is graded down to No. 4, it does not indicate the quality of the wheat?

Secretary WALLACE. I think there are difficulties.

The CHAIRMAN. I do not think that can be overcome.

Secretary WALLACE. You see, the objections made to the grades now established can be made with almost the same force to the grades that formerly existed. As I understand it, many of the objections that are made now were made to the old Minnesota grades before these Federal grades were established at all.

I want you to understand my position clearly, gentlemen. If, after you have gone into this matter, you are satisfied that you can make some changes in these grades that will be an improvement over the present grades, we will be glad to have you do that, and we will live up to those grades, whatever you establish.

The CHAIRMAN. Mr. Secretary, I think the committee feels that you are better equipped to establish the grades than we are. You have the scientists to carry on the investigations, and you are much better equipped than we are. However, this committee has been glad to give these hearings. And it seems to me these people have in these hearings made a strong case as to the dockage. If a farmer is penalized to the extent of \$60 a carload by having his grain degraded, instead of dockage, there is something wrong. And if they are thereby losing \$60 on a car, I think that should be corrected. There seems to be something wrong about that matter.

Secretary WALLACE. If the committee wants to go into that matter, we would be glad to have the committee come over to the department to the room where we are equipped to make the tests of the grain, and make the baking tests, and the tests as to the dockage, and all of that. You will find we have gone into it at considerable detail. If any of the committee as individuals are interested, or if the committee as a whole is interested, we would be glad to have them do that.

The CHAIRMAN. That seems to be one of the most important questions before us.

Secretary WALLACE. I realize that.

The CHAIRMAN. If anything is done to give relief for this year's crop, it should be done immediately.

Secretary WALLACE. Under the law we have to give 90 days' notice before making a change. It would not be practicable to make a change this year. What are we trying to do is to make a study of the marketing of this year's crop, and then we ought to know a lot more about it, as to the applicability of these grades.

The CHAIRMAN. If you should conclude to change the grades, I think we could pass a resolution to give you authority to make the change on shorter notice. I think it would be easier to pass a resolution giving you that authority than it would to pass an act changing the standards.

Secretary WALLACE. If I had the authority, Mr. Chairman, to make this change, I should not make any at the present time. I feel we have got to know more about it than we do now.

Mr. JONES. I think the Secretary's suggestion is a wise one, to investigate the actual grading at the farmer's wagon, because it seems that these grades have been made largely on the basis of how it worked out at the elevators and the final points of destination. It seems to me the investigation should be made at both those points; at least at the point of original sales, and these investigations should be conducted along with the investigation as to sales at the final place of selling.

The CHAIRMAN. Mr. Steenerson, were you through?

Mr. STEENERSON. No. This bill, Mr. Secretary, provides that the grades fixed may be—after they have been in force one year—may be changed by the Secretary of Agriculture just the same as he changes the grades now under the grain standards act.

Secretary WALLACE. Well, I hope you will cut that part out of the bill. If Congress is fixing the grade, I hope you will fix it, and cut that out of the bill.

Mr. STEENERSON. I simply call attention to that fact, because you spoke of the responsibility. I suppose Congress should assume responsibility for this bill, and putting these grades into effect. If, after this exhaustive investigation, you find these grades as fixed by Congress were not operating as it was thought it would, then they could be changed. There is no matter of private opinion about this, and it seems to me that is a matter to take into consideration.

Secretary WALLACE. I would welcome Congress taking it out of my hands.

Mr. STEENERSON. Very well. The investigation that you propose to make is by the men in the department, who, of course, have been instrumental in fixing these grades heretofore.

Secretary WALLACE. Well, not these individual men, not necessarily; no. I can not give you just now the record of each of these men, but my recollection is that practically every one of these men has been a practical farmer or grain man.

Mr. STEENERSON. They are from the bureau that has fixed the grades?

Secretary WALLACE. Oh, yes.

Mr. STEENERSON. And it seems to me it is a good deal like a court that has decided a case against the farmer at one time, and it comes up for review before that same court; there is very little chance to get it changed; they will not hold that they have erred. Their pre-disposition, or prejudice, if there is any, is to let the matter stand, and not admit they have made mistakes.

Mr. KINCHELOE. Not if they go out to the local elevator, where they have not gone heretofore.

Mr. STEENERSON. We have appeared—not before the Secretary at these two times—but the representatives of the grain men have appeared before the Bureau of Markets every time these grades were established, and it was like knocking your head against a stone wall; they approved these grades. So it seems to me there is very little to be expected from the investigation of these men who are to investigate themselves, really, and see whether they have made any mistakes, unless you have men who represent the inspection departments of the different States.

Secretary WALLACE. We will welcome any suggestions or any information or any advice from the men connected with the inspection departments of the different States. Is it your thought that I should go out and bring in men from some of those departments or seek out men who have not been in the department at all?

Mr. STEENERSON. Yes; it seems to me men ought to be selected who are not prejudiced in favor of their own work.

Secretary WALLACE. I can not agree with you that these men are prejudiced.

Mr. JONES. Mr. Chairman, I do not think we ought to keep the Secretary here, unless members of the committee want to ask him questions.

Mr. STEENERSON. Mr. Shanahan testified before you. He knew about the grades; he was employed by the millers before he was in the department, and he is now employed by the millers. He said that the millers' interests and the farmers' interests were one. Now, what is the use having Mr. Shanahan review that?

Secretary WALLACE. I do not know that I made it clear to you the type of men we are sending out, or trying to. These men are men who have been either farmers, or who have been grain men—they are practical and have a knowledge of the whole game. We send them out and tell them, "We want you to study this matter from the standpoint of the man who sells at the country buying point; we want to know to what extent these grades are being applied at the country buying points, and if they are not applied there, we want to know the difficulties in the way of applying them."

In other words, we want them to make this investigation from the producers' standpoint, as well as the elevators' standpoint. That is the spirit in which the investigation is being made; it is not conducted with any thought of justifying these grades.

Mr. JONES. I am sure that is true.

Mr. STEENERSON. There is no use trying to get this done for this year's crop?

Secretary WALLACE. No.

Mr. KINCHELOE. This year's investigation will enable you to make the grades hereafter.

Secretary WALLACE. Yes, sir.

The CHAIRMAN. Mr. O'Neill, have you any questions?

Mr. O'NEILL. Mr. Secretary, I have raised grain for 45 years. I was a homesteader in the Northwest, and have been identified with the grain-growing industry in the Red River Valley for many years; so whatever I say is said from the standpoint of a man who has had 45 years' experience, until recently--about three years ago.

You stated that there was a range in the old Minnesota grades. There was; but if you will look at prices compared with Minneapolis to-day, you will find that the entire range from No. 1 to No. 5, inclusive, is not as great as the range in one single grade to-day. And I will give you the reason for why, if you please. The Minnesota law permits the State board of grain appeals to change the grades every year. I do not believe that it is possible for this body, nor you nor us, to make a rigid and hard rule as fast and binding as the law of the Medes and Persians, or the Equator. I think that is the weakness in your department, if you will pardon me for saying it. You take a pair of tweezers and your scale and you make your test, and everything has to come up to that line, with the exception of two modifications; you have modified as to frosty and smutty wheat through your department in Chicago. The law permitted the Minnesota inspectors to take into account all these factors that you do, but, in addition to that, the true milling value of the grain for food; and under that, where these little simple technicalities, or one part of the five factors only, was lacking, they could use discretion, and in that way they graded the wheat more truly as to its milling value.

Now, Mr. Secretary, these men that came to you came down as representatives of the farmers, at the initiative of the farmers on a referendum vote that they should send representatives here, and they sent their president, Mr. Potter. It is true; Mr. Potter asked Mr. Jacobson, the chairman of the railroad and warehouse commission in Minnesota, to send his men, and, Mr. Secretary—I am frank with you—I have been in Chicago and in the Bureau of Markets, and it would be useless to send down farmers to meet your experts. Had they been coming to you to try out their case before you, they feel they would have had full permission on your part. But we knew very well, with the utmost confidence we have in your fairness and wisdom, we knew that it would of necessity have been impossible for you to determine so quickly after taking your seat. We wanted to be fair and we knew that you would have to rely either on your experts or you would have to go out and make the investigation that you are now about to make. And we want to say to you in all kindness that we feel very kindly to you in even going out now. Our hopes were, in asking the changes so quickly, that we could get the modifications to affect this crop; but if we can not get them to affect this crop we want to get them as quickly as we can as quick as you, in your judgment, feel you can do justice to the producers. You go out amongst the producers and you will find

how they feel. If you will pardon me, Mr. Secretary, that sample of wheat before you—I am familiar with that sample from its beginning—that was raised in Benton County, Minn. It went to Minneapolis market and one car was graded No. 1 dark northern.

This is a sample (indicating) taken out of a tin box, which was taken out of a car that was graded No. 2, on account of 0.3 of 1 per cent excess moisture. The man who shipped the wheat was madder than a hare, of course. He sent down two carloads, and his commission man told him that his second car was better than the first; that it was the best car. He shipped it down thinking it was better than the first car, and it came back No. 2. On the moisture test, it was said to contain 0.3 of 1 per cent too much moisture, and it was made No. 2. I will be frank; the commission man did not state why it was made No. 2. He went up in arms against the inspection department. He blamed the inspection department, and he would not pay No. 1 to any person, no matter what they had, until that matter was worked out two or three months after.

I want to ask you, Mr. Secretary, or Mr. Besley—you have established 14 per cent as the maximum moisture for No. 1. I want to ask M. Besley, after his long experience, what is the average moisture of spring wheat, so near as you can give it?

Mr. BESLEY. Well, I can answer only in very general terms. It is much less than 14 per cent. I presume that an average, as near as I can state it in a single figure, would be around 12½ per cent, year in and year out.

Mr. O'NEILL. Our average shows that the records show 12.8, or 0.3 higher than Mr. Besley states. Yet, Mr. Besley, the record will show that wheat kept in Canada in the cars for six weeks, in Winnipeg, tested all along the line in the northern latitude, with more moisture than that, will not go off in the northern latitude. It might not be safe in the southern latitude. It goes off much less in the northern latitude than in the warm climate, and they all agree that dark, hard, glutinous wheat can contain 1 per cent more moisture and not go off. And we feel that we are being unduly penalized, and they are giving the miller the advantage of the lower wheat, and he can buy Mississippi River water at a lower price than he can buy wheat, and put it into the wheat. We believe it should be fixed at a place where it is safe to transport it in the northern latitudes.

The CHAIRMAN. You mean that this sample was graded down to No. 1 because of an excess of 0.3 of 1 per cent of moisture?

Mr. O'NEILL. Yes, sir.

The CHAIRMAN. How much was in the car?

Mr. O'NEILL. About 1,200 bushels.

The CHAIRMAN. Then he lost \$49.20.

Mr. KINCHELOE. Mr. Chairman, in deference to the Secretary, I suggest that if we are through that he be allowed to go. I presume he is a busy man.

The CHAIRMAN. If you are all through, Mr. Secretary.

Secretary WALLACE. Let me just say in conclusion, there is no desire on our part to hold onto authority in this matter. If you want to change the grades we will be glad to have you do it. And also, so far as I am concerned, and I am sure it is true generally of our people, there is no pride of opinion. If you do not make the changes, we will be glad to do the best we can.

The CHAIRMAN. We thank you very much, Mr. Secretary.

Mr. PALMER. Mr. Chairman, I have here a small chart of figures from the Minnesota grain inspection department showing the grades of wheat received at the public elevators in Minneapolis from September 1, 1918, to August 31, 1920. I would like to have this chart in the record.

The CHAIRMAN. Without objection, it is so ordered.

(The chart referred to is here printed in full, as follows:)

Grades of wheat for 1918 and 1919 crops.

Sample.	Wheat received at public elevators in Minneapolis Sept. 1, 1918, to Aug. 31, 1920.		Wheat received at public elevators in Minneapolis Sept. 1, 1918, to Aug. 31, 1919.	
	Bushels.	Per cent of total.	Bushels.	Per cent of total
1 northern.....	522,744	12.0	14,889,904	71.0
2 northern.....	485,616	11.0	4,116,280	11.2
3 northern.....	949,108	22.0	2,128,691	9.5
4 northern.....	1,025,911	23.5	773,639	3.4
5 northern.....	948,613	22.0	288,837	1.3
8.....	420,093	9.5	530,059	2.3
Total.....	4,362,145		22,736,430	
1 dark northern spring.....	2,078,947	19.5	5,441,529	83.5
2 dark northern spring.....	961,714	9.0	523,961	8.0
3 dark northern spring.....	2,344,406	22.0	235,179	3.6
4 dark northern spring.....	2,737,769	26.0	129,973	2.0
5 dark northern spring.....	1,912,125	15.0	54,950	0.1
Sample.....	711,095	6.5	126,056	2.0
Total.....	10,676,058		6,511,658	

Mr. VOIGT. Mr. Chairman, I want to ask the committee to fix a definite time at which the hearings on the filled milk bill may be resumed.

Mr. KINCHELOE. Mr. Voigt, how long do you think it will take to complete that hearing?

Mr. VOIGT. The proponents of the bill can get through in two hours; I judge the opponents of the bill ought to be able to get through in three or four hours, or possibly less.

Mr. Chairman, in order to bring this matter before us I move that the proponents of the filled milk bill be heard on July 6.

Mr. SINCLAIR. I second the motion.

(The motion was put and prevailed.)

The CHAIRMAN. Without objection, the committee will stand adjourned until Wednesday, July 6, 1921, at 10 o'clock.

(And thereupon, at 11 o'clock and 10 minutes a. m., the committee adjourned until Wednesday, July 6, 1921, at 10 o'clock a. m.)

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